Table of Contents
to the Direct Exhibit
of Dylan W. D'Ascendis, CRRA

Carolina Water Services, Inc.
Summary of Cost of Capital and Fair Rate of Return
Based upon the Consolidated Capital Structure of Utilities, Inc.
at December 31, 2012

Type of Capital	Ratios (1)	Cost Rate		Weighted Cost Rate
Long-Term Debt	52.44%	6.60%	(1)	3.46%
Common Equity	47.56%	10.15% - 11.15%	(2)	4.83% - 5.30%
Total	100.00%			8.29% - 8.76%

Notes:
(1) Company-provided.
(2) From page 2 of this Schedule.

Carolina Water Services, Inc.
Brief Summary of Common Equity Cost Rate

No.	Principal Methods	Proxy Group of Nine Water Companies
1.	Discounted Cash Flow Model (DCF) (1)	8.62%
2.	Risk Premium Model (RPM) (2)	11.54%
3.	Capital Asset Pricing Model (CAPM) (3)	9.89%
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	10.46%
5.	Indicated Common Equity Cost Rate before Adjustment for Business Risks	10.15%
6.	Size Adjustment (5)	0.50%
7	Indicated Common Equity Cost Rate	10.65%
8.	Recommended Range of Common Equity Cost Rates	10.15%-11.15%

Notes: (1) From Schedule 3.
(2) From page 1 of Schedule 5.
(3) From page 1 of Schedule 6.
(4) From page 1 of Schedule 8.
(5) Business risk adjustment to reflect Carolina Water Services, Inc.'s greater business risk due to its small size relative to the proxy group as detailed in Mr. D'Ascendis's accompanying direct testimony.

Proxy Group of Nine Water Companies
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2008 - 2012, Inclusive

	2012	2011	2010	2009	2008	5 YEAR AVERAGE
			(MILLIONS OF DOLLARS)			
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$1,801.379	$1,736.912	$1,712.951	$1,641.561	$1,537.371	
SHORT-TERM DEBT	$55.136	$81.076	$53.463	$31.243	$84.104	
TOTAL CAPITAL EMPLOYED	$1,856.515	$1,817.988	$1,766.414	$1,672.804	$1,621.475	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	5.41 %	5.36 %	5.37 %	5.31 %	5.58 %	
PREFERRED STOCK	5.53	5.53	5.54	5.54	4.32	
CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	49.12 %	50.69 %	50.97 %	50.80 %	50.35 %	50.39 %
PREFERRED STOCK	0.16	0.18	0.19	0.21	0.22	0.19
COMMON EQUITY	50.72	49.13	48.84	48.99	49.43	49.42
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	50.79 %	52.55 %	53.49 %	53.33 %	53.43 %	52.72 %
PREFERRED STOCK	0.15	0.17	0.18	0.19	0.21	0.18
COMMON EQUITY	49.06	47.28	46.33	46.48	46.36	47.10
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	6.45 %	6.33 %	6.38 %	4.64 %	5.91 %	5.94 %
MARKET / AVERAGE BOOK RATIO	166.26	156.32	150.17	138.52	155.49	153.35
DIVIDEND YIELD	3.84	4.09	4.26	4.72	4.49	4.28
DIVIDEND PAYOUT RATIO	61.46	67.87	66.67	60.06	73.68	65.95
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	9.94 %	8.99 %	8.98 %	6.99 %	6.39 %	8.26 %
TOTAL DEBT / EBITDA (3)	3.84 X	4.34 X	4.75 X	5.53 X	9.07 X	5.51 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	20.65 %	18.82 %	17.10 %	16.41 %	16.14 %	17.82 %
TOTAL DEBT / TOTAL CAPITAL	50.79 %	52.55 %	53.49 %	53.33 %	53.43 %	52.72 %

Notes:
(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.

(2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.

(3) Total debt relative to EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization).

(4) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges as a percentage of total debt.

Source of Information: I-Metrix Database
Company SEC Form 10-K

Capital Structure Based upon Total Permanent Capital for the
Proxy Group of Nine Water Companies
2008 - 2012, Inclusive

	2012	2011	2010	2009	2008	5 YEAR AVERAGE
American States Water Co.						
Long-Term Debt	42.49 %	45.46 %	44.30 %	46.95 %	46.25 %	45.09 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	57.51	54.54	55.70	53.05	53.75	54.91
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
American Water Works Co., Inc.						
Long-Term Debt	54.30 %	55.72 %	56.73 %	56.98 %	53.75 %	55.49 %
Preferred Stock	0.21	0.27	0.29	0.30	0.32	0.28
Common Equity	45.49	44.01	42.98	42.72	45.93	44.23
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Aqua America, Inc.						
Long-Term Debt	53.41 %	54.11 %	57.05 %	56.59 %	54.21 %	55.08 %
Preferred Stock	0.01	0.02	0.02	0.02	0.09	0.03
Common Equity	46.58	45.87	42.93	43.39	45.70	44.89
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Artesian Resources Corp.						
Long-Term Debt	47.60 %	48.93 %	52.84 %	54.12 %	59.57 %	52.61 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	52.40	51.07	47.16	45.88	40.43	47.39
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
California Water Service Group						
Long-Term Debt	50.39 %	52.04 %	52.51 %	47.93 %	41.88 %	48.95 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	49.61	47.96	47.49	52.07	58.12	51.05
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Connecticut Water Service, Inc.						
Long-Term Debt	49.03 %	53.05 %	49.32 %	50.59 %	46.94 %	49.79 %
Preferred Stock	0.21	0.30	0.34	0.35	0.39	0.32
Common Equity	50.76	46.65	50.34	49.06	52.67	49.89
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Middlesex Water Company						
Long-Term Debt	43.53 %	43.12 %	43.91 %	47.35 %	49.10 %	45.40 %
Preferred Stock	1.02	1.06	1.07	1.24	1.22	1.12
Common Equity	55.45	55.82	55.02	51.41	49.68	53.48
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
SJW Corporation						
Long-Term Debt	55.39 %	56.63 %	53.79 %	49.52 %	46.08 %	52.28 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	44.61	43.37	46.21	50.48	53.92	47.72
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
York Water Company						
Long-Term Debt	45.98 %	47.16 %	48.28 %	47.16 %	55.31 %	48.78 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	54.02	52.84	51.72	52.84	44.69	51.22
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Nine Water Companies						
Long-Term Debt	49.12 %	50.69 %	50.97 %	50.80 %	50.35 %	50.39 %
Preferred Stock	0.16	0.18	0.19	0.21	0.22	0.19
Common Equity	50.72	49.13	48.84	48.99	49.43	49.42
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information
EDGAR Online's I-Metrix Database
Annual Forms 10-K

Carolina Water Services, Inc.
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for
the Proxy Group of Nine Water Companies

	1	2	3	4	5	6	7	8
Proxy Group of Nine Water Companies	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
American States Water Co.	2.94 %	6.00 %	2.00 %	2.00 %	2.00 %	3.00 %	2.98 %	5.98 %
American Water Works Co., Inc.	2.73	10.00	8.50	7.20	7.45	8.29	2.84	11.13
Aqua America, Inc.	2.46	8.00	7.40	5.30	5.80	6.63	2.54	9.17
Artesian Resources Corp.	3.76	NA	NA	NA	4.00	4.00	3.84	7.84
California Water Service Group	3.14	6.50	NA	6.00	6.00	6.17	3.24	9.41
Connecticut Water Service, Inc.	3.16	5.50	5.00	5.00	5.00	5.13	3.24	8.37
Middlesex Water Company	3.65	4.00	NA	NA	2.70	3.35	3.71	7.06
SJW Corporation	2.64	7.50	NA	NA	14.00	10.75	2.78	13.53
York Water Company	2.70	4.00	NA	NA	4.90	4.45	2.76	7.21
							Average	8.86 %
							Median	8.37 %
					Average of Average and Median Results:			8.62 %

NA= Not Available
NMF = Not Meaningful Figure

Notes:
(1) Indicated dividend at 10/31/2013 divided by the average closing price of the last 60 trading days ending 10/31/2013 for each company.
(2) From pages 2 through 10 of this Schedule.
(3) Average of columns 2 through 5 excluding negative growth rates.
(4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co. , 2.94% x (1+(1/2 x 3.00%)) = 2.98%.
(5) Column 6 + column 7.

Source of Information:
Value Line Investment Survey
www.reuters.com Downloaded on 11/01/2013
www.zacks.com Downloaded on 11/01/2013
www.yahoo.com Downloaded on 11/01/2013

AMER. STATES WATER NYSE-AWR

RECENT PRICE **26.48** | P/E RATIO **17.9** (Trailing: 17.4, Median: 22.0) | RELATIVE P/E RATIO **1.02** | DIV'D YLD **3.1%** | VALUE LINE

TIMELINESS	3	Lowered 8/16/13
SAFETY	2	Raised 7/20/12
TECHNICAL	3	Raised 8/23/13

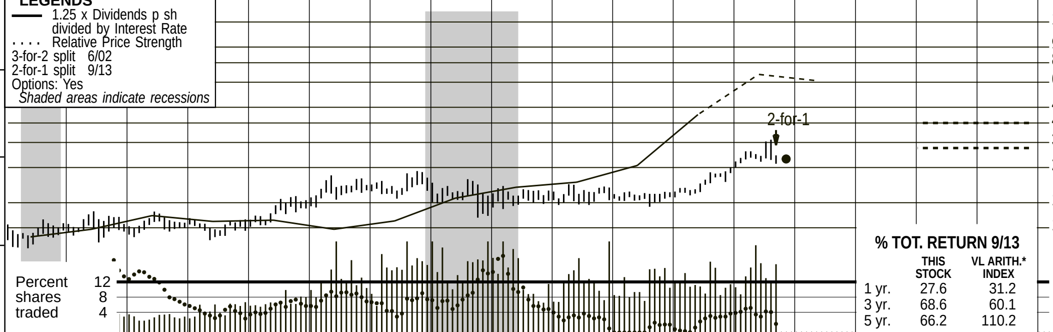
BETA .70 (1.00 = Market)

High:	14.5	14.5	13.4	17.3	21.9	23.1	21.0	19.4	19.8	18.2	24.1	33.1
Low:	10.1	10.8	10.4	12.2	15.1	16.8	13.5	14.9	15.6	15.3	17.0	24.0

Target Price Range

2016 | 2017 | 2018

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
2-for-1 split 9/13
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+50%)	*14%*
Low	30	(+15%)	*7%*

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	1	0	0	0	0	2	1	0
Options	1	1	1	0	0	1	4	4	0
to Sell	2	3	1	0	0	0	5	5	0

Institutional Decisions

	4Q2012	1Q2013	2Q2013
to Buy	77	93	98
to Sell	64	59	70
Hld's(000)	24066	24964	24268

% TOT. RETURN 9/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	27.6	31.2
3 yr.	68.6	60.1
5 yr.	66.2	110.2

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
5.72	5.51	6.45	6.08	6.53	6.89	6.99	6.81	7.03	7.88	8.75	9.21	9.74	10.71	11.12	12.12	*12.30*	*12.50*	Revenues per sh	*12.75*
.92	1.02	1.13	1.10	1.26	1.27	1.04	1.11	1.32	1.45	1.65	1.69	1.70	2.11	2.13	2.48	*2.60*	*2.65*	"Cash Flow" per sh	*3.20*
.52	.54	.60	.64	.67	.67	.39	.53	.66	.67	.81	.78	.81	1.11	1.12	1.41	*1.50*	*1.55*	Earnings per sh A	*1.70*
.42	.42	.43	.43	.43	.44	.44	.44	.45	.46	.48	.50	.51	.52	.55	.64	*.76*	*.83*	Div'd Decl'd per sh B■	*.95*
1.29	1.56	2.15	1.51	1.59	1.34	1.88	2.51	2.12	1.95	1.45	2.23	2.09	2.12	2.13	1.77	*2.15*	*2.20*	Cap'l Spending per sh	*2.10*
5.62	5.74	5.91	6.37	6.61	7.02	6.98	7.51	7.86	8.32	8.77	8.97	9.70	10.13	10.84	11.80	*11.85*	*12.50*	Book Value per sh	*14.25*
26.87	26.87	26.87	30.24	30.24	30.36	30.42	33.50	33.60	34.10	34.46	34.60	37.06	37.26	37.70	38.53	*39.00*	*40.00*	Common Shs Outst'g C	*44.00*
14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.4	14.3	*Bold figures are*		Avg Ann'l P/E Ratio	*19.5*
.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	.97	.91	*Value Line*		Relative P/E Ratio	*1.30*
5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.2%	3.1%	*estimates*		Avg Ann'l Div'd Yield	*3.1%*

CAPITAL STRUCTURE as of 6/30/13
Total Debt $335.8 mill. **Due in 5 Yrs** $10.6 mill.
LT Debt $332.4 mill. **LT Interest** $8.0 mill.
(LT interest earned: 5.2x: total interest coverage: 4.9x) (42% of Cap'l)
Leases, Uncapitalized: Annual rentals $3.0 mill.
Pension Assets-12/12 $107.6 mill. **Oblig.** $163.2 mill.
Pfd Stock None.
Common Stock 38,688,804 shs. as of 8/6/13 ***(Reflects 2-for-1 stock split paid 9/3/13.)***
MARKET CAP: $1.0 billion (Mid Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	419.3	466.9	*480*	*500*	Revenues ($mill)	*560*
11.9	16.5	22.5	23.1	28.0	26.8	29.5	41.4	42.0	54.1	*58.0*	*60.0*	Net Profit ($mill)	*73.0*
43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	41.7%	39.9%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
- -	- -	- -	12.2%	8.5%	6.9%	3.2%	5.8%	2.0%	2.5%	*2.5%*	*2.5%*	AFUDC % to Net Profit	*2.5%*
52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.4%	42.2%	*43.0%*	*43.0%*	Long-Term Debt Ratio	*43.0%*
48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.6%	57.8%	*57.0%*	*57.0%*	Common Equity Ratio	*57.0%*
442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	749.1	787.0	*805*	*875*	Total Capital ($mill)	*1025*
602.3	664.2	713.2	750.6	776.4	825.3	866.4	855.0	896.5	917.8	*940*	*985*	Net Plant ($mill)	*1100*
4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	7.1%	8.3%	*7.0%*	*7.0%*	Return on Total Cap'l	*6.5%*
5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	*12.5%*	*12.0%*	Return on Shr. Equity	*11.5%*
5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	*12.5%*	*12.0%*	Return on Com Equity	*11.5%*
NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.3%	6.6%	*6.0%*	*6.0%*	Retained to Com Eq	*5.0%*
113%	84%	67%	67%	58%	64%	61%	47%	49%	45%	*51%*	*54%*	All Div'ds to Net Prof	*56%*

CURRENT POSITION ($MILL.)	2011	2012	6/30/13
Cash Assets	1.3	23.5	8.5
Other	164.3	160.5	172.6
Current Assets	165.6	184.0	181.1
Accts Payable	37.9	40.6	55.2
Debt Due	.3	3.3	3.4
Other	66.2	49.8	43.8
Current Liab.	104.4	93.7	102.4
Fix. Chg. Cov.	401%	442%	*450%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	5.5%	7.5%	*2.0%*
"Cash Flow"	6.5%	9.0%	*6.0%*
Earnings	6.5%	11.5%	*6.0%*
Dividends	3.0%	4.5%	*9.0%*
Book Value	5.0%	5.5%	*2.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	88.4	95.5	111.3	103.7	398.9
2011	94.3	109.8	119.9	95.3	419.3
2012	107.6	114.3	133.5	111.5	466.9
2013	110.5	120.7	*135*	*113.8*	*480*
2014	*115*	*125*	*140*	*120*	*500*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.23	.24	.31	.33	1.11
2011	.19	.34	.42	.17	1.12
2012	.27	.40	.49	.26	1.41
2013	.35	.43	*.48*	*.24*	*1.50*
2014	*.33*	*.42*	*.55*	*.30*	*1.60*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.125	.125	.125	.13	.51
2010	.13	.13	.13	.13	.52
2011	.13	.14	.14	.14	.55
2012	.14	.14	.178	.178	.64
2013	.178	.178	.203		

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 728 employees. Officers & directors own 2.9% of common stock (4/12 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

Nonutility operations are a key component of American States Water. Last year, its nonregulated subsidiary, American States Utilities Services (ASUS), accounted for $0.39 a share, or 28% of the company's share net. This percentage was easily the highest among the eight water utilities that *Value Line* follows.

Estimating future profits from these businesses will be more difficult in the years ahead. The core of the ASUS profits has come from operating and maintaining water services at eight U.S. military bases. Some analysts on Wall Street believe that 2012 was perhaps the peak earnings year for ASUS, but we think that these projections are conservative. True, the company's backlog of new projects isn't large. However, with a substantial number of military facilities yet to be privatized, we believe that ASUS' good reputation with the Department of Defense will greatly help it win a fair share of future contracts. Thus, we think earnings of between $0.40 a share and $0.50 a share from this segment are attainable to the 2016-2018 pull. Since winning contracts is less predictable than its core business, American States earnings might experience greater swings than in the past.

Meanwhile, core regulated operations are doing fine. Due mostly TO a recent rate increase granted to Golden State Water (the main water utility), earnings growth should be somewhere in the 5%-7% range. Indeed,

We're raising our earnings projections again. For the second straight quarter, American States share net exceeded expectations in the June period. As a result, we are nudging the company's earnings-per-share estimates higher by $0.05 in 2013, and $0.10 in 2014, respectively. *(Please note that all figures on the page have been changed to reflect the two-for-one stock split paid on September 3rd.)*

American States' shares offer slightly better-than-average potential long-term returns for a water utility. The current yield is typical for the industry, but dividend growth prospects are higher than the group norm. Moreover, the company is the third-largest water utility we follow, and is the only one that rates an A Financial Strength Rating.

James A. Flood *October 18, 2013*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 7¢; '05, 13¢; '06, 3¢; '08, (14¢); '10, (23¢) '11, 10¢. Next earnings report due early November. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	75
Earnings Predictability	90

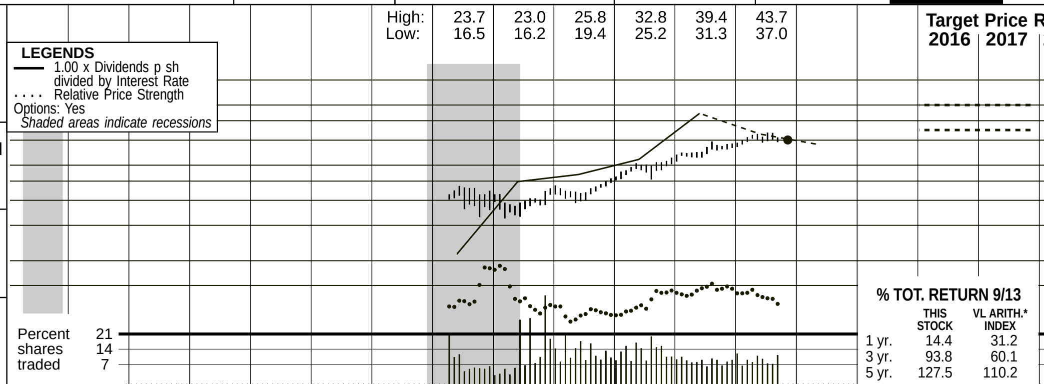
AMERICAN WATER NYSE-AWK

RECENT PRICE 40.09 | P/E RATIO 18.0 (Trailing: 19.5 / Median: NMF) | RELATIVE P/E RATIO 1.02 | DIV'D YLD 2.9% | VALUE LINE

TIMELINESS 3 Raised 10/4/13
SAFETY 3 New 7/25/08
TECHNICAL 3 Lowered 8/9/13
BETA .65 (1.00 = Market)

	2008	2009	2010	2011	2012	2013
High:	23.7	23.0	25.8	32.8	39.4	43.7
Low:	16.5	16.2	19.4	25.2	31.3	37.0

Target Price Range: 2016 | 2017 | 2018



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+50%)	13%
Low	45	(+10%)	6%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	4	0	0	0	8	0	3	0	0
to Sell	4	0	0	0	8	0	3	0	0

Institutional Decisions

	4Q2012	1Q2013	2Q2013
to Buy	188	191	165
to Sell	175	186	209
Hld's(000)	146609	145912	144834

% TOT. RETURN 9/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	14.4	31.2
3 yr.	93.8	60.1
5 yr.	127.5	110.2

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006E	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
- -	- -	- -	- -	- -	- -	- -	- -	- -	13.08	13.84	14.61	13.98	15.49	15.18	16.25	*16.60*	*17.50*	Revenues per sh	*20.25*
- -	- -	- -	- -	- -	- -	- -	- -	- -	.65	d.47	2.87	2.89	3.56	3.73	4.27	*4.45*	*4.70*	"Cash Flow" per sh	*5.25*
- -	- -	- -	- -	- -	- -	- -	- -	- -	d.97	d2.14	1.10	1.25	1.53	1.72	2.11	*2.20*	*2.40*	Earnings per sh A	*2.90*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.40	.82	.86	.91	.96	*1.06*	*1.20*	Div'd Decl'd per sh B■	*1.40*
- -	- -	- -	- -	- -	- -	- -	- -	- -	4.31	4.74	6.31	4.50	4.38	5.27	5.25	*5.35*	*5.35*	Cap'l Spending per sh	*5.50*
- -	- -	- -	- -	- -	- -	- -	- -	- -	23.86	28.39	25.64	22.91	23.59	24.11	25.10	*26.40*	*27.50*	Book Value per sh D	*30.00*
- -	- -	- -	- -	- -	- -	- -	- -	- -	160.00	160.00	160.00	174.63	175.00	175.66	176.99	*178.50*	*180.00*	Common Shs Outst'g C	*185.00*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	18.9	15.6	14.6	16.8	16.7	*Bold figures are*		Avg Ann'l P/E Ratio	*18.5*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	1.14	1.04	.93	1.05	1.07	*Value Line*		Relative P/E Ratio	*1.25*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	1.9%	4.2%	3.8%	3.1%	2.7%	*estimates*		Avg Ann'l Div'd Yield	*2.7%*

CAPITAL STRUCTURE as of 6/30/13
Total Debt $5761.0 mil. **Due in 5 Yrs** $1034.0 mil.
LT Debt $5180.7 mil. **LT Interest** $301.0 mil.
(Total interest coverage: 4.4x) (53% of Cap'l)

Leases, Uncapitalized: Annual rentals $28.1 mill.
Pension Assets $1157.7 mill **Oblig.** $1621.2 mill.
Pfd Stock $17.6 mill. **Pfd Div'd** $.7 mill

Common Stock 177,964,133 shs. as of 8/1/13

MARKET CAP: $7.1 billion (Large Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
- -	- -	- -	2093.1	2214.2	2336.9	2440.7	2710.7	2666.2	2876.9	*2960*	*3150*	Revenues ($mill)	*3750*
- -	- -	- -	d155.8	d342.3	187.2	209.9	267.8	304.9	375.0	*390*	*430*	Net Profit ($mill)	*535*
- -	- -	- -	- -	- -	37.4%	37.9%	40.4%	39.5%	40.7%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
- -	- -	- -	- -	- -	- -	- -	- -	12.5%	6.2%	*8.0%*	*10.0%*	AFUDC % to Net Profit	*12.0%*
- -	- -	- -	56.1%	50.9%	53.1%	56.9%	56.8%	55.7%	53.8%	*54.0%*	*54.0%*	Long-Term Debt Ratio	*54.5%*
- -	- -	- -	43.9%	49.1%	46.9%	43.1%	43.2%	44.2%	46.0%	*46.0%*	*46.0%*	Common Equity Ratio	*45.5%*
- -	- -	- -	8692.8	9245.7	8750.2	9289.0	9561.3	9580.3	9652.7	*10300*	*10800*	Total Capital ($mill)	*11800*
- -	- -	- -	8720.6	9318.0	9991.8	10524	11059	11021	11739	*12300*	*12800*	Net Plant ($mill)	*14200*
- -	- -	- -	NMF	NMF	3.7%	3.8%	4.4%	4.8%	5.5%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
- -	- -	- -	NMF	NMF	4.6%	5.2%	6.5%	7.2%	8.4%	*8.0%*	*8.5%*	Return on Shr. Equity	*9.5%*
- -	- -	- -	NMF	NMF	4.6%	5.2%	6.5%	7.2%	8.4%	*8.0%*	*8.5%*	Return on Com Equity	*9.5%*
- -	- -	- -	NMF	NMF	3.0%	1.8%	2.8%	3.5%	4.6%	*4.5%*	*4.5%*	Retained to Com Eq	*4.5%*
- -	- -	- -	- -	- -	34%	65%	56%	52%	45%	*48%*	*50%*	All Div'ds to Net Prof	*50%*

CURRENT POSITION ($MILL.)	2011	2012	6/30/13
Cash Assets	14.2	24.4	20.4
Other	1383.5	475.0	525.4
Current Assets	1397.7	499.4	545.8
Accts Payable	243.7	279.6	178.4
Debt Due	543.9	385.9	580.3
Other	701.5	329.3	290.6
Current Liab.	1489.1	994.8	1049.3
Fix. Chg. Cov.	256%	292%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	- -	3.0%	5.0%
"Cash Flow"	- -	NMF	6.5%
Earnings	- -	- -	10.0%
Dividends	- -	- -	9.0%
Book Value	- -	-1.5%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	588.1	671.2	786.9	664.5	2710.7
2011	596.7	668.8	760.9	639.8	2666.2
2012	618.7	745.6	831.8	680.8	2876.9
2013	636.1	724.3	*890*	*709.6*	*2960*
2014	*670*	*775*	*945*	*760*	*3150*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.18	.42	.71	.23	1.53
2011	.23	.42	.73	.32	1.72
2012	.28	.66	.87	.30	2.11
2013	.32	.57	*.90*	*.41*	*2.20*
2014	*.35*	*.65*	*1.00*	*.40*	*2.40*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.20	.20	.21	.21	.82
2010	.21	.21	.22	.22	.86
2011	.22	.23	.23	.23	.91
2012	.23	.23	.25	.25	.96
2013	.25	.25	.28		

BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to over 14 million people in over 30 states and Canada. It's nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up 89.1% of 2012 revenues. New Jersey is its biggest market accounting for 22.2% of revenues. Has roughly 7,000 employees. Depreciation rate, 2.6% in '12. BlackRock, Inc., owns 10.3% of the common stock outstanding. Off. & dir. own less than 1% (3/13 Proxy). President & CEO; Jeffry Sterba. Chairman; George Mackenzie. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Telephone: 856-346-8200. Internet: www.amwater.com.

American Water Works continues to do a good job of staying on the right side of regulators. The company must contend with 30 different state regulatory commissions in order to recoup the large sums that it is investing in its individual water systems located throughout the country. The utility's basic formula for success in dealing with regulators has been to keep costs low. This feat has been achieved by improving operating margins and continually reducing expense ratios, a trend we expect to continue. Indeed, effective cost containment makes it much more difficult for state commissions to deny much needed rate increases.

Expansion via acquisitions will remain a key element to American Water's long-term growth. The company should continue to scoop up some of the small water utilities that cash-strapped municipalities are willing to sell. Sixteen purchases were made last year and 10 have already been completed so far in 2013. It is American Water's expertise in integrating these new entities into its existing operations and reducing overhead that is behind its leaner cost structure.

American Water's construction budget should be large but manageable. Capital expenditures will probably be close to $1 billion a year over the next 3- to 5-year period, due to the need to upgrade and repair the company's aging infrastructure. Internally generated funds will probably cover only about 75% of the outlays over this time frame. As a result, American Water will most likely have to issue more debt to make up the difference.

American Water's earnings and dividend growth prospects are good. The combination of efficient operations, inorganic growth, and greater contributions from nonutility businesses should enable annual earnings and dividend increases in the 7% to 10% range (versus about 5% for the industry) for the foreseeable future.

Long-term, income-oriented investors might like these shares. The yield on AWK's stock is close to the industry norm, yet its dividend growth prospects are well above-average. So, even though the stock is currently not timely, it still holds more appeal than most water utilities to the pull to 2016-2018.

James A. Flood *October 18, 2013*

(A) Diluted earnings. Excludes nonrecurring losses: '08, $4.62; '09, $2.63; '11, $0.07. Discontinued operations: '06, (4¢); '11, 3¢; '12, (10¢). Next earnings report due late October. Quarterly earnings may not sum due to rounding. (B) Dividends paid in March, June, September, and December. ■ Div. reinvestment available. (C) In millions. (D) Includes intangibles. In 2012: $1.207 billion, $6.82/share. (E) Pro forma numbers for '06 & '07.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	90
Earnings Predictability	20

AQUA AMERICA NYSE-WTR

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
23.97	20.3	(Trailing: 22.7 Median: 24.0)	1.15	2.6%	VALUE LINE

TIMELINESS 3 Lowered 5/24/13
SAFETY 2 Raised 4/20/12
TECHNICAL 3 Raised 9/13/13
BETA .60 (1.00 = Market)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High:	12.0	13.4	14.8	23.4	23.8	21.3	17.6	17.2	18.4	19.0	21.5	28.1
Low:	7.7	9.5	11.3	14.0	16.1	15.1	9.8	12.3	13.2	15.4	16.8	20.6

2016-18 PROJECTIONS

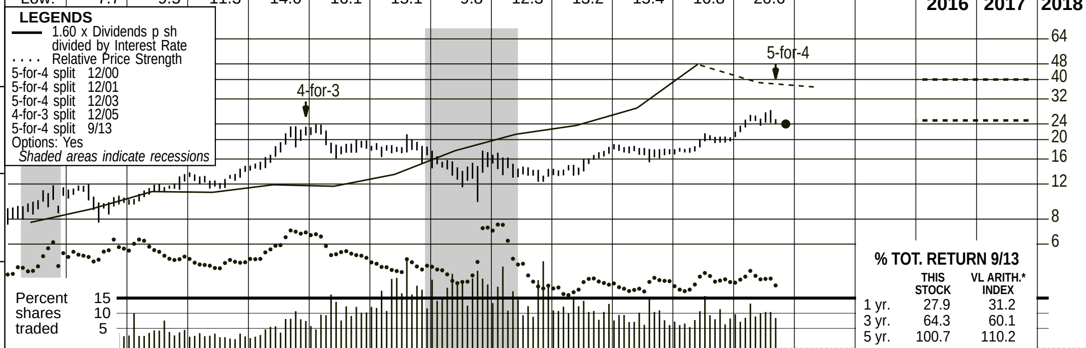
	Price	Gain	Ann'l Total Return
High	40	(+65%)	19%
Low	25	(+5%)	4%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	3	2	2	0	0	1	3
to Sell	0	0	2	0	0	0	0	2	0

Institutional Decisions

	4Q2012	1Q2013	2Q2013
to Buy	118	136	141
to Sell	117	116	130
Hld's(000)	83977	82403	82501



Target Price Range
2016 | 2017 | 2018

% TOT. RETURN 9/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	27.9	31.2
3 yr.	64.3	60.1
5 yr.	100.7	110.2

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
1.61	1.67	1.93	1.97	2.16	2.28	2.38	2.78	3.08	3.23	3.61	3.71	3.93	4.21	4.10	4.32	**4.45**	**4.60**	Revenues per sh	**4.95**
.45	.49	.58	.61	.69	.76	.77	.87	.97	1.01	1.10	1.14	1.29	1.42	1.45	1.51	**1.60**	**1.70**	"Cash Flow" per sh	**1.85**
.27	.32	.33	.37	.41	.43	.46	.51	.57	.56	.57	.58	.62	.72	.83	.87	**1.15**	**1.25**	Earnings per sh A	**1.45**
.19	.20	.22	.23	.24	.26	.28	.29	.32	.35	.38	.41	.44	.47	.50	.54	**.58**	**.64**	Div'd Decl'd per sh B■	**.85**
.46	.65	.72	.93	.87	.96	1.06	1.23	1.47	1.64	1.43	1.58	1.66	1.89	1.90	1.98	**2.15**	**2.15**	Cap'l Spending per sh	**2.15**
2.27	2.57	2.74	3.08	3.32	3.49	4.27	4.71	5.04	5.57	5.85	6.26	6.50	6.81	7.21	7.90	**8.90**	**9.60**	Book Value per sh	**11.50**
84.33	90.25	133.50	139.78	142.47	141.49	154.31	158.97	161.21	165.41	166.75	169.21	170.61	172.46	173.60	175.43	**177.50**	**179.50**	Common Shs Outst'g C	**184.00**
17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.3	21.9	*Bold figures are*		Avg Ann'l P/E Ratio	**22.5**
1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.34	1.40	*Value Line*		Relative P/E Ratio	**1.50**
3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	2.8%	2.8%	*estimates*		Avg Ann'l Div'd Yield	**2.6%**

CAPITAL STRUCTURE as of 6/30/13
Total Debt $1648.4 mill. **Due in 5 Yrs** $368.3 mill.
LT Debt $1489.8 mill. **LT Interest** $60.0 mill.
(LT interest earned: 5.0x; total interest coverage: 4.1x) (51% of Cap'l)
Pension Assets-12/12 $190.1 mill. **Oblig.** $303.1 mill.
Pfd Stock None
Common Stock 176,463,469 shares as of 7/26/13 *(Reflects 5-for-4 stock split paid 9/1/13.)*
MARKET CAP: $4.2 billion (Mid Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	712.0	757.8	**790**	**830**	Revenues ($mill)	**915**
67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	144.8	153.1	**205**	**225**	Net Profit ($mill)	**265**
39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	39.0%	**40.0%**	**40.0%**	Income Tax Rate	**40.0%**
--	--	--	--	--	--	--	--	2.9%	3.1%	**3.0%**	**3.0%**	AFUDC % to Net Profit	**2.0%**
51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	**50.0%**	**50.0%**	Long-Term Debt Ratio	**50.0%**
48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	**50.0%**	**50.0%**	Common Equity Ratio	**50.0%**
1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	**3150**	**3450**	Total Capital ($mill)	**4230**
1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	**4150**	**4350**	Net Plant ($mill)	**4900**
6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	**6.0%**	**6.0%**	Return on Total Cap'l	**6.5%**
10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	**12.0%**	**12.0%**	Return on Shr. Equity	**12.5%**
10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	**12.0%**	**12.0%**	Return on Com Equity	**12.5%**
4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	**6.0%**	**6.0%**	Retained to Com Eq	**5.0%**
59%	57%	56%	63%	67%	70%	72%	65%	60%	61%	**52%**	**52%**	All Div'ds to Net Prof	**59%**

CURRENT POSITION ($MILL.)	2011	2012	6/30/13
Cash Assets	8.2	5.5	4.3
Receivables	81.1	92.9	98.3
Inventory (AvgCst)	11.2	11.8	12.5
Other	220.0	150.7	106.5
Current Assets	320.5	260.9	221.6
Accts Payable	68.3	55.5	47.0
Debt Due	80.4	125.4	158.6
Other	277.0	93.3	101.1
Current Liab.	425.7	274.2	306.7
Fix. Chg. Cov.	367%	398%	398%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	8.0%	7.5%	3.5%
"Cash Flow"	8.5%	8.0%	4.5%
Earnings	6.5%	4.5%	8.0%
Dividends	7.5%	8.0%	8.0%
Book Value	9.0%	7.0%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	160.5	178.5	207.8	179.3	726.1
2011	163.6	178.3	197.3	172.7	712.0
2012	164.0	191.7	214.6	187.5	757.8
2013	180.0	195.7	**219.3**	**195**	**790**
2014	**190**	**215**	**225**	**200**	**830**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.13	.18	.26	.15	.72
2011	.18	.22	.24	.19	.83
2012	.15	.24	.29	.19	.87
2013	.26	.30	**.34**	**.25**	**1.15**
2014	**.25**	**.32**	**.40**	**.28**	**1.25**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.108	.108	.108	.116	.44
2010	.116	.116	.116	.124	.47
2011	.124	.124	.124	.132	.50
2012	.132	.132	.132	.14	.54
2013	.14	.14	.152		

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '12: residential, 60.5%; commercial, 16.1%; industrial & other, 23.4%. Officers and directors own 1.4% of the common stock; Blackrock, Inc, 6.3%; State Street Capital Corp., 5.7%; Vanguard Group 5.6% (4/13 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America's main long-term strategy is to grow through acquisitions. The United States is filled with thousands of small water utilities that are run by local municipalities. Due to the lack of proper maintenance, many of the facilities are in terrible shape. Since a large number of local governments are financially strapped, they find it more advantageous to sell their water systems to entities that have both greater managerial experience and the financial wherewithal to invest the funds required for the systems to operate properly. Aqua America bought 18 new companies last year and should add a similar number of new utilities in 2013.

Aqua America has been successful driving synergies through acquisitions. Historically, many of the operational benefits promised to shareholders of companies involved in acquisitions never take place. However, Aqua America has proven that it can purchase other water utilities and slash redundant overhead costs to improve operating margins.

Dividend growth prospects are excellent. Last quarter's 9% hike in the quarterly payout (all of our numbers have been adjusted for the recent five-for-four stock split) was much higher than that of a typical utility. Thanks in part to the company's low payout ratio, we estimate that the annual dividend hike will average about 10% for the foreseeable future.

Nonutility operations will play a larger role in the company's future. Aqua America recently completed another extension of its water pipeline in Pennsylvania. The pipeline is used to supply water to natural gas producers drilling in the Marcellus Shale. We expect the company to become much more involved in constructing pipelines because this is a more efficient way of providing the water needed for drilling than by using trucks.

Investors have to pay a slight premium for these shares. The average yield for a water utility is close to 3%. Thus, WTR's payout is about 40 basis points lower than the industry norm. We believe that this is a very reasonable price to pay for the company's robust dividend growth prospects, which should provide better-than-average total returns for a water utility over the pull to 2016-2018.

James A. Flood *October 18, 2013*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (9¢); '00, 2¢; '01, 2¢; '02, 4¢; '03, 3¢; '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 3¢. May not sum due to rounding. Next earnings report due late October.
(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	100

ARTESIAN RES. CORP. NDQ--ARTNA

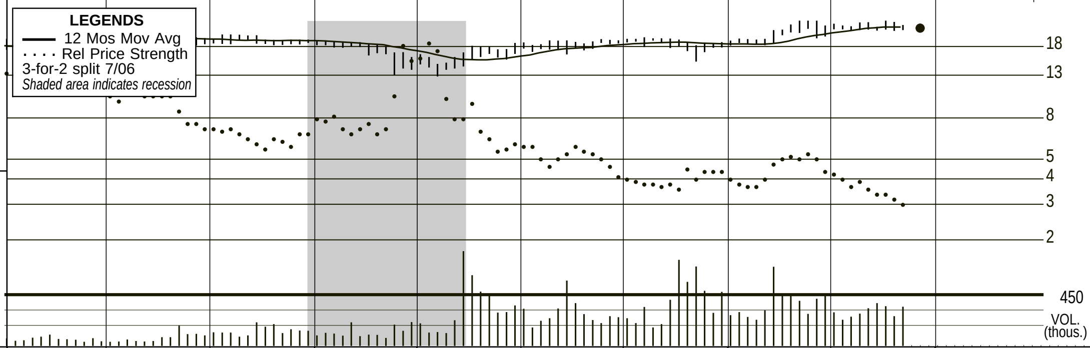
RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
22.18	22.2	1.15	3.7%	VALUE LINE

RANKS

PERFORMANCE	2	Above Average
Technical	2	Above Average
SAFETY	3	Average
BETA .60		(1.00 = Market)

Financial Strength	B
Price Stability	95
Price Growth Persistence	60
Earnings Predictability	85

	2005	2006	2007	2008	2009	2010	2011	2012	2013
High	22.62	22.33	20.67	19.31	18.73	19.59	19.99	24.43	24.27
Low	17.20	17.90	18.26	13.00	12.81	16.43	15.16	18.20	21.52



© VALUE LINE PUBLISHING LLC	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014/2015
SALES PER SH	7.52	7.77	7.20	7.59	8.11	8.48	7.56	8.10	--	
"CASH FLOW" PER SH	1.56	1.75	1.57	1.65	1.84	1.92	1.64	2.04	--	
EARNINGS PER SH	.81	.97	.90	.86	.97	1.00	.83	1.13	***1.05*** A,B	***1.23*** C/***NA***
DIV'DS DECL'D PER SH	.58	.61	.66	.71	.72	.75	.76	.79	--	
CAP'L SPENDING PER SH	3.35	5.08	3.66	6.09	2.32	2.57	1.83	2.36	--	
BOOK VALUE PER SH	9.60	10.15	11.66	11.86	12.15	12.44	13.12	13.57	--	
COMMON SHS OUTST'G (MILL)	6.02	6.09	7.30	7.40	7.51	7.65	8.61	8.71	--	
AVG ANN'L P/E RATIO	24.2	20.3	21.5	20.1	16.4	18.2	22.5	18.3	***21.1***	***18.0/NA***
RELATIVE P/E RATIO	1.28	1.10	1.14	1.21	1.09	1.16	1.41	1.17	--	
AVG ANN'L DIV'D YIELD	2.9%	3.1%	3.4%	4.1%	4.5%	4.1%	4.1%	3.8%	--	
SALES ($MILL)	45.3	47.3	52.5	56.2	60.9	64.9	65.1	70.6	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
OPERATING MARGIN	100.0%	45.6%	45.6%	45.1%	46.9%	46.5%	45.5%	48.7%	--	
DEPRECIATION ($MILL)	4.4	4.6	5.2	5.8	6.6	7.0	7.4	7.9	--	
NET PROFIT ($MILL)	5.0	6.1	6.3	6.4	7.3	7.6	6.7	9.8	--	
INCOME TAX RATE	39.9%	39.0%	39.8%	40.8%	40.1%	40.0%	40.8%	40.2%	--	
NET PROFIT MARGIN	11.1%	12.8%	11.9%	11.4%	11.9%	11.7%	10.4%	14.0%	--	
WORKING CAP'L ($MILL)	d1.8	d8.8	2.5	d20.9	d23.3	d27.9	d11.4	d11.4	--	
LONG-TERM DEBT ($MILL)	92.4	92.1	91.8	107.6	106.0	105.1	106.5	106.3	--	
SHR. EQUITY ($MILL)	57.8	61.8	85.1	87.8	91.2	95.1	113.0	118.2	--	
RETURN ON TOTAL CAP'L	5.3%	5.8%	5.3%	4.7%	5.2%	5.6%	4.6%	5.9%	--	
RETURN ON SHR. EQUITY	8.7%	9.8%	7.4%	7.3%	8.0%	8.0%	6.0%	8.3%	--	
RETAINED TO COM EQ	2.7%	3.8%	2.1%	1.4%	2.1%	2.0%	.5%	2.5%	--	
ALL DIV'DS TO NET PROF	69%	61%	71%	81%	74%	75%	92%	70%	--	

[A] No. of analysts changing earn. est. in last 4 days: 0 up, 0 down, consensus 5-year earnings growth not available. [B] Based upon 4 analysts' estimates. [C] Based upon 4 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	1.5%	7.0%
"Cash Flow"	3.0%	24.0%
Earnings	2.0%	36.0%
Dividends	4.5%	4.0%
Book Value	4.5%	3.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/11	14.8	16.5	17.7	16.1	65.1
12/31/12	16.7	17.9	19.0	17.0	70.6
12/31/13	16.3	17.8			
12/31/14					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/10	.22	.24	.38	.16	1.00
12/31/11	.14	.23	.26	.20	.83
12/31/12	.28	.32	.33	.20	1.13
12/31/13	.19	.28	***.34***	***.25***	
12/31/14	***.20***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2010	.187	.188	.188	.189	.75
2011	.19	.19	.19	.193	.76
2012	.193	.198	.198	.203	.79
2013	.203	.206	.206	.209	

INSTITUTIONAL DECISIONS

	4Q'12	1Q'13	2Q'13
to Buy	28	32	31
to Sell	32	26	30
Hld's(000)	3052	3036	3029

ASSETS ($mill.)	2011	2012	6/30/13
Cash Assets	.3	.6	.5
Receivables	8.6	8.7	9.1
Inventory	1.5	1.4	1.5
Other	2.9	2.8	1.2
Current Assets	13.3	13.5	12.3
Property, Plant & Equip, at cost	435.0	454.4	- -
Accum Depreciation	77.4	83.8	- -
Net Property	357.6	370.6	374.8
Other	7.8	7.6	7.6
Total Assets	378.7	391.7	394.7
LIABILITIES ($mill.)			
Accts Payable	2.8	3.5	1.9
Debt Due	13.8	12.6	10.7
Other	8.1	8.8	9.2
Current Liab	24.7	24.9	21.8

LONG-TERM DEBT AND EQUITY as of 6/30/13

Total Debt $116.8 mill. **Due in 5 Yrs.** NA
LT Debt $106.1 mill.
Including Cap. Leases NA
(47% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $.4 mill. in '12 vs. $.5 mill. in '11

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 8,781,642 shares
(53% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Artesian Resources Corporation, through its subsidiaries, provides water, wastewater, and other services on the Delmarva Peninsula. It distributes and sells water to residential, commercial, industrial, municipal, and utility customers in Delaware, Maryland, and Pennsylvania. The company also offers water for public and private fire protection to customers in its service territories. In addition, it provides contract water and wastewater services, water and sewer service line protection plans, and wastewater management services, as well as design, construction, and engineering services. As of December 31, 2012, the company served approximately 79,000 metered water customers through 1,162 miles of transmission and distribution mains. Has 229 employees. Chairman, C.E.O. & President: Dian C. Taylor. Address: 664 Churchmans Rd., Newark, DE 19702. Tel.: (302) 453-6900. Internet: http://www.artesianwater.com.

J.V.

October 18, 2013

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 9/30/2013

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
0.79%	0.84%	-0.68%	31.05%	63.01%

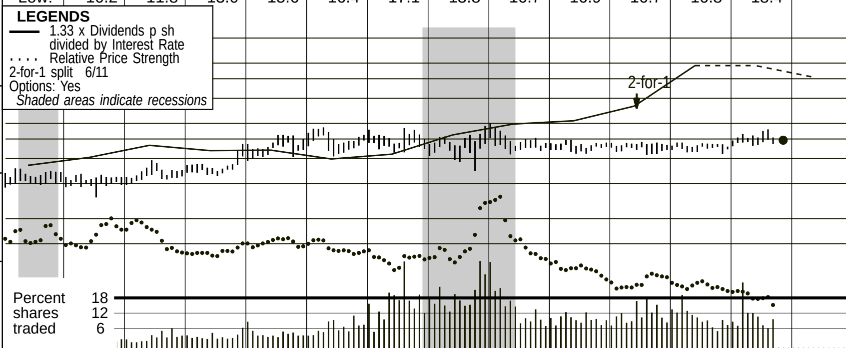
CALIFORNIA WATER NYSE-CWT

RECENT PRICE 19.73 | P/E RATIO 22.4 (Trailing: 21.2 Median: 21.0) | RELATIVE P/E RATIO 1.27 | DIV'D YLD 3.4% | VALUE LINE

TIMELINESS 4 Lowered 10/4/13
SAFETY 3 Lowered 7/27/07
TECHNICAL 3 Lowered 8/23/13
BETA .65 (1.00 = Market)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High:	13.4	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4	19.3	22.3
Low:	10.2	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7	16.8	18.4

Target Price Range 2016 | 2017 | 2018



64
48
40
32
24
20
16
12
8
6

2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+50%)	13%
Low	20	(Nil)	4%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	20	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2012	1Q2013	2Q2013
to Buy	54	86	61
to Sell	63	39	57
Hld's(000)	22078	26409	26677

% TOT. RETURN 9/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	12.6	31.2
3 yr.	21.6	60.1
5 yr.	24.3	110.2

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
7.74	7.38	7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	13.34	12.55	14.15	Revenues per sh	16.00
1.46	1.30	1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	2.32	2.05	2.25	"Cash Flow" per sh	2.75
.92	.73	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	1.02	.80	1.05	Earnings per sh A	1.35
.53	.54	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	.63	.64	.68	Div'd Decl'd per sh B ■	.90
1.30	1.37	1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	3.04	2.65	2.90	Cap'l Spending per sh	3.00
6.50	6.69	6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	11.28	13.40	13.85	Book Value per sh C	15.00
25.24	25.24	25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	41.98	47.75	48.00	Common Shs Outst'g D	50.0
12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	17.9	Bold figures are		Avg Ann'l P/E Ratio	19.0
.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	1.14	Value Line		Relative P/E Ratio	1.25
4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%	3.5%	estimates		Avg Ann'l Div'd Yield	3.6%

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
277.1	315.6	320.7	334.7	367.1	410.3	449.4	460.4	501.8	560.0	590	650	Revenues ($mill) E	800
19.4	26.0	27.2	25.6	31.2	39.8	40.6	37.7	36.1	42.6	40.0	53.0	Net Profit ($mill)	67.0
39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	37.5%	34.0%	39.0%	Income Tax Rate	39.0%
10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	7.6%	8.0%	8.0%	8.5%	AFUDC % to Net Profit	10.0%
50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	51.7%	47.8%	42.0%	46.5%	Long-Term Debt Ratio	50.0%
49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	52.2%	58.0%	53.5%	Common Equity Ratio	50.0%
498.4	565.9	568.1	670.1	674.9	690.4	794.9	914.7	931.5	908.2	1050	1125	Total Capital ($mill)	1400
759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	1457.1	1510	1575	Net Plant ($mill)	1825
5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	6.3%	5.5%	6.0%	Return on Total Cap'l	6.5%
7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.0%	8.0%	Return on Shr. Equity	9.5%
7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.0%	8.0%	Return on Com Equity	9.5%
.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	3.4%	1.5%	3.0%	Retained to Com Eq	3.0%
91%	77%	78%	86%	77%	61%	60%	66%	71%	62%	75%	62%	All Div'ds to Net Prof	67%

CAPITAL STRUCTURE as of 6/30/13
Total Debt $507.6 mill. **Due in 5 Yrs** $65.3 mill.

LT Debt $430.7 mill. **LT Interest** $29.5 mill.
(LT interest earned: 6.7x; total int. cov.: 6.0x)
(43% of Cap'l)
Pension Assets-12/12 $202.9 mill.
Oblig. $402.9 mill.
Pfd Stock None

Common Stock 47,734,035 shs.
as of 8/1/13

MARKET CAP: $950 million (Small Cap)

CURRENT POSITION ($MILL.)	2011	2012	6/30/13
Cash Assets	27.2	38.8	38.8
Other	86.7	107.8	125.4
Current Assets	113.9	146.6	164.1
Accts Payable	48.9	46.8	46.7
Debt Due	53.7	136.3	76.9
Other	49.3	59.7	72.6
Current Liab.	151.9	242.8	196.2
Fix. Chg. Cov.	278%	297%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	4.0%	7.0%	4.5%
"Cash Flow"	5.5%	7.5%	4.5%
Earnings	5.0%	5.5%	6.5%
Dividends	1.0%	1.5%	6.5%
Book Value	5.0%	4.5%	5.5%

Cal-endar	QUARTERLY REVENUES ($ mill.)E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	90.3	118.3	146.3	105.5	460.4
2011	98.1	131.4	169.3	103.0	501.8
2012	116.8	143.6	178.1	121.5	560.0
2013	111.4	154.6	190	134	590
2014	135	165	210	140	650

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.05	.25	.49	.12	.91
2011	.03	.29	.50	.04	.86
2012	.03	.31	.56	.12	1.02
2013	d.03	.28	.50	.05	.80
2014	.05	.30	.55	.15	1.05

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.148	.148	.148	.148	.59
2010	.149	.149	.149	.149	.60
2011	.154	.154	.154	.154	.62
2012	.1575	.1575	.1575	.1575	.63
2013	.16	.16	.16		

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 471,900 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '12: residential, 66%; business, 18%; public authorities, 4%; industrial, 4%; other 8%. '12 reported depreciation rate: 2.8%. Has 1,131 employees. President, Chairman, and Chief Executive Officer: Peter C. Nelson. Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

This will not be an easy year for the California Water Service Group. As expected, the utility posted its second-consecutive year-over-year negative earnings comparison in the June-ended period. What's more, we expect this trend to continue for the second half of the year.

What's behind the bad earnings? In California, utilities run on three-year regulatory cycles. This means that they can only seek rate relief every third year. Quite often, by the final year of the cycle, expenses have outpaced the higher revenues that were originally permitted.

A major rate case is close to being settled. In mid-2012, California filed a petition with the California Public Utility Commission (CPUC) seeking to raise its rates by 20%. The utility has been in negotiations with the CPUC for months, and it now believes that 95% of the matters involved are resolved. Even though many of California Water's expenses were prudently spent on improving its infrastructure, that doesn't mean that its request will be automatically approved. There is a tremendous amount of political pressure brought upon regulators to keep water customers (i.e. voters) rates low. On balance, we estimate the final decision will be fairly reasonable. The allowed return on equity will most likely be low on a relative basis, but the utility will at least have a good chance of earning it.

All told, earnings should decline sharply in 2013, but rebound in 2014. Due to the aforementioned reasons, we think that California Water's share net will plunge 22% this year. Next year, due mostly to rate relief, we expect the bottom line to snap back, by $0.25, to $1.05 a share.

We think that there are other stocks in the water utility industry that hold greater appeal than California Water. On the plus side, these shares have a yield that is nearly 70 basis points greater than certain of its peers. Moreover, as a result of a large stock issuance earlier this year, the company's finances have improved significantly. However, the utility's subpar dividend growth potential over the next several years and the equity's Below Average Timeliness rank more than offset these positives, in our opinion.

James A. Flood *October 18, 2013*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due mid-August.
(B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. intangible assets. In '12: $18.8 mill., $0.44/sh.
(D) In millions, adjusted for splits.
(E) Excludes non-reg. rev.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	90

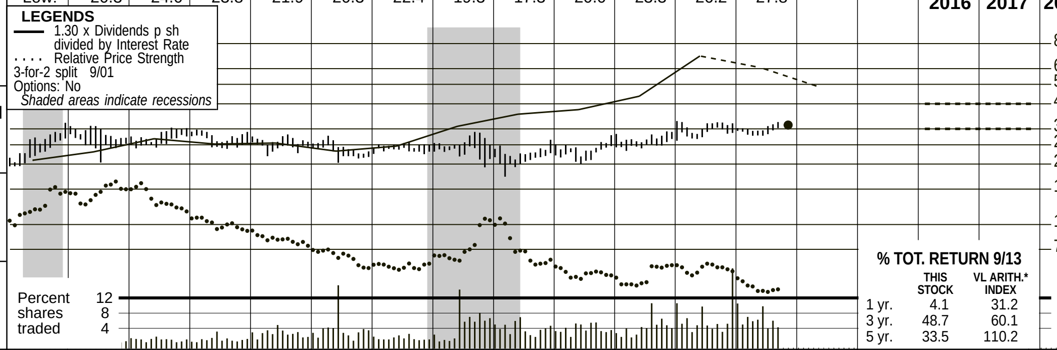
CONNECTICUT WATER NDQ-CTWS

RECENT PRICE 31.35 | P/E RATIO 18.9 (Trailing: 21.5, Median: 23.0) | RELATIVE P/E RATIO 1.07 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS 4 Lowered 3/29/13
SAFETY 3 New 1/18/13
TECHNICAL 3 Lowered 10/11/13
BETA .75 (1.00 = Market)

High:	31.1	30.4	29.8	28.2	27.7	25.6	29.0	26.4	27.9	29.1	32.8	32.4
Low:	20.3	24.0	23.8	21.9	20.3	22.4	19.3	17.3	20.0	23.3	26.2	27.8

Target Price Range 2016 2017 2018



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+30%)	10%
Low	30	(-5%)	3%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	2	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2012	1Q2013	2Q2013
to Buy	48	52	39
to Sell	16	21	39
Hld's(000)	4069	4336	4492

% TOT. RETURN 9/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	4.1	31.2
3 yr.	48.7	60.1
5 yr.	33.5	110.2

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
5.67	5.58	5.87	5.70	5.93	5.77	5.91	6.04	5.81	5.68	7.05	7.24	6.93	7.65	7.93	7.63	*8.65*	*8.90*	Revenues per sh	*11.25*
1.51	1.59	1.65	1.73	1.78	1.78	1.89	1.91	1.62	1.52	1.90	1.95	1.93	2.04	2.11	2.10	*2.55*	*2.65*	"Cash Flow" per sh	*2.75*
1.00	1.02	1.03	1.09	1.13	1.12	1.15	1.16	.88	.81	1.05	1.11	1.19	1.13	1.13	1.53	*1.60*	*1.70*	Earnings per sh A	*1.80*
.77	.78	.79	.79	.80	.81	.83	.84	.85	.86	.87	.88	.90	.92	.94	.96	*.98*	*1.01*	Div'd Decl'd per sh B■	*1.11*
1.99	1.12	1.42	1.43	1.86	1.98	1.49	1.58	1.96	1.96	2.24	2.44	3.28	3.06	2.61	2.34	*2.75*	*2.85*	Cap'l Spending per sh	*2.90*
8.26	8.52	8.61	8.92	9.25	10.06	10.46	10.94	11.52	11.60	11.95	12.23	12.67	13.05	13.50	16.89	*17.25*	*17.80*	Book Value per sh D	*20.40*
6.79	6.80	7.26	7.28	7.65	7.94	7.97	8.04	8.17	8.27	8.38	8.46	8.57	8.68	8.76	10.97	*11.10*	*11.25*	Common Shs Outst'g C	*12.00*
12.9	15.5	18.2	18.2	21.5	24.3	23.5	22.9	28.6	29.0	23.0	22.2	18.4	20.7	23.0	19.4	*Bold figures are*		Avg Ann'l P/E Ratio	*20.0*
.74	.81	1.04	1.18	1.10	1.33	1.34	1.21	1.52	1.57	1.22	1.34	1.23	1.32	1.44	1.24	*Value Line*		Relative P/E Ratio	*1.35*
6.0%	4.9%	4.2%	4.0%	3.3%	3.0%	3.0%	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	3.6%	3.2%	*estimates*		Avg Ann'l Div'd Yield	*3.4%*
						47.1	48.5	47.5	46.9	59.0	61.3	59.4	66.4	69.4	83.8	*95.0*	*100*	Revenues ($mill)	*135*
						9.2	9.4	7.2	6.7	8.8	9.4	10.2	9.8	9.9	13.6	*17.5*	*19.0*	Net Profit ($mill)	*21.0*
						17.9%	22.9%	- -	23.5%	32.4%	27.2%	19.5%	35.2%	41.3%	32.0%	*32.0%*	*33.0%*	Income Tax Rate	*35%*
						- -	- -	- -	- -	- -	1.7%	- -	- -	1.8%	1.7%	*2.0%*	*2.0%*	AFUDC % to Net Profit	*3.0%*
						43.5%	42.8%	44.9%	44.4%	47.8%	46.9%	50.6%	49.5%	53.2%	49.0%	*49.5%*	*49.5%*	Long-Term Debt Ratio	*48.5%*
						55.9%	56.7%	54.6%	55.1%	51.8%	52.7%	49.1%	50.2%	46.5%	50.8%	*50.5%*	*50.5%*	Common Equity Ratio	*51.5%*
						148.9	155.1	172.3	174.1	193.2	196.5	221.3	225.6	254.2	364.6	*375*	*395*	Total Capital ($mill)	*475*
						238.9	246.1	247.7	268.1	284.3	302.3	325.2	344.2	362.4	447.9	*470*	*490*	Net Plant ($mill)	*550*
						7.5%	7.0%	5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	4.9%	4.8%	*5.5%*	*5.0%*	Return on Total Cap'l	*5.5%*
						10.9%	10.6%	7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	8.3%	7.3%	*9.0%*	*9.5%*	Return on Shr. Equity	*8.5%*
						11.0%	10.6%	7.6%	7.0%	8.7%	9.1%	9.4%	8.7%	8.3%	7.3%	*9.0%*	*9.5%*	Return on Com Equity	*8.5%*
						3.2%	3.1%	.3%	NMF	1.6%	1.9%	2.3%	1.6%	1.4%	2.7%	*3.5%*	*3.5%*	Retained to Com Eq	*3.0%*
						71%	71%	95%	105%	82%	79%	76%	81%	83%	62%	*62%*	*59%*	All Div'ds to Net Prof	*62%*

CAPITAL STRUCTURE as of 6/30/13
Total Debt $180.2 mill. **Due in 5 Yrs** $14.8 mill.
LT Debt $178.7 mill. **LT Interest** $7.6 mill.
(Total interest coverage: 8.8x)
(49% of Cap'l)
Leases, Uncapitalized: Annual rentals $.2 mill.
Pension Assets $45.4 mill.
Oblig. $66.5 mill.

Pfd Stock $0.8 mill. **Pfd Divd** NMF

Common Stock 11,003,512 shs.
as of 7/31/13
MARKET CAP: $350 million (Small Cap)

CURRENT POSITION ($MILL.)	2011	2012	6/30/13
Cash Assets	1.0	13.2	7.5
Accounts Receivable	14.9	11.5	12.1
Other	3.0	11.7	13.5
Current Assets	18.9	36.4	33.1
Accts Payable	7.2	10.0	7.3
Debt Due	- -	3.0	1.5
Other	23.2	2.9	3.1
Current Liab.	30.4	15.9	11.9
Fix. Chg. Cov.	419%	455%	*460%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	3.5%	6.0%	*6.5%*
"Cash Flow"	2.5%	6.0%	*4.5%*
Earnings	1.5%	6.5%	*5.5%*
Dividends	1.5%	2.0%	*3.5%*
Book Value	5.5%	6.5%	*6.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	13.8	15.9	21.0	15.7	66.4
2011	16.0	17.4	20.6	15.4	69.4
2012	18.5	21.3	24.5	19.5	83.8
2013	21.5	22.5	*27.0*	*24.0*	*95.0*
2014	*22.0*	*24.0*	*30.0*	*24.0*	*100*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.12	.27	.54	.20	1.13
2011	.26	.37	.39	.11	1.13
2012	.22	.47	.67	.16	1.53
2013	.24	.39	*.68*	*.29*	*1.60*
2014	*.30*	*.47*	*.68*	*.25*	*1.70*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.222	.222	.228	.228	.90
2010	.228	.228	.233	.233	.922
2011	.233	.233	.238	.238	.942
2012	.238	.238	.2425	.2425	.962
2013	.2425	.2425	.2475		

BUSINESS: Connecticut Water Service, Inc. is a non-operating holding company, whose income is derived from earnings of its wholly-owned subsidiary companies (regulated water utilities). Its largest subsidiary, Connecticut Water, accounted for about 85% of the holding company's net income in 2012, and provides water services to 400,000 people in 55 towns throughout Connecticut and Maine. Acquired The Maine Water Co., 1/12; Biddeford and Saco Water, 12/12. Inc.: CT. Has about 260 employees. Chairman/President/CEO: Eric W. Thornburg. Officers and directors own 2.2% of the common stock; BlackRock, Inc. 6.7%; The Vanguard Group, 5.3%. Address: 93 West Main Street, Clinton, CT 06413. Telephone: (860) 669-8636. Internet: www.ctwater.com.

Connecticut Water Service has finally reached a definitive deal with all of the state's regulators. In September, the Connecticut Public Regulatory Authority (PURA) agreed to a deal that had been reached earlier among Connecticut Water and the state's Attorney General and Consumer Council. PURA was the final hurdle in the approval process, and it didn't alter the agreement in any meaningful way.

Ratepayers will benefit from the settlement. Customers will see their water bills decline over the next two years as Connecticut Water will pass along to them a tax refund it was granted by the IRS for the 2010-2012 period. In addition, the utility agreed not to seek higher rates before October, 2015.

Connecticut Water will benefit too. Permission was granted for the company to establish a Revenue Adjustment Mechanism, which will allow it to keep the tax benefit from the IRS refund going forward. These funds will be allowed to flow through to shareholders until the next time the company seeks higher rates.

The earnings picture looks brighter. Following four static years of earnings, the company enjoyed strong results in 2012, as share net rose 35%. With the new arrangement with regulators in place, we think that Connecticut Water's bottom line will increase close to 5%, both this year and next. Moreover, the company will earn close to its allowed return on equity.

The recent dividend hike was somewhat disappointing. Over the past five- and 10-year periods, Connecticut Water's dividend growth rate averaged only 2.0%, and 1.5%, respectively. Both percentages were among the lowest in the water utility industry. Following the company's solid profits in 2012, along with its improved earning prospects, we had hoped that the most recent quarterly payout to shareholders would have been more generous than the 2% increase declared in August.

We can't find too many reasons to recommend these shares at this juncture. While the stock's yield is slightly higher than the average of its peers, its dividend growth prospects to 2016-2018 are subpar for the group. Furthermore, this equity carries a 4 (Below Average) rank for Timeliness.

James A. Flood *October 18, 2013*

(A) Diluted earnings. Next earnings report due mid-November. Quarterly earnings do no add in '12 due to rounding.
(B) Dividends historically paid in mid-March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.
(D) Includes intangibles. In '12: $31.7 million/$2.89 a share.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	80

MIDDLESEX WATER NDQ-MSEX

RECENT PRICE **20.31** | P/E RATIO **20.9** (Trailing: 19.7 Median: 22.0) | RELATIVE P/E RATIO **1.19** | DIV'D YLD **3.7%** | VALUE LINE

High:	20.0	21.2	21.8	23.5	20.5	20.2	19.8	17.9	19.3	19.4	19.6	22.5
Low:	13.7	15.8	16.7	17.1	16.5	16.9	12.0	11.6	14.7	16.5	17.5	18.6

TIMELINESS 2 Raised 6/7/13

SAFETY 2 New 10/21/11

TECHNICAL 3 Lowered 10/18/13

BETA .70 (1.00 = Market)

2016-18 PROJECTIONS

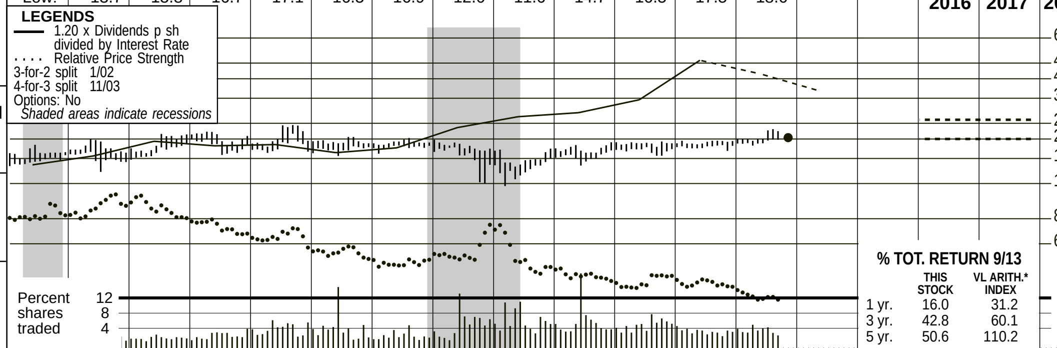
	Price	Gain	Ann'l Total Return
High	25	(+25%)	9%
Low	20	(Nil)	4%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	1

Institutional Decisions

	4Q2012	1Q2013	2Q2013
to Buy	38	38	37
to Sell	28	30	35
Hld's(000)	6696	6579	6489



% TOT. RETURN 9/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	16.0	31.2
3 yr.	42.8	60.1
5 yr.	50.6	110.2

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
4.72	4.39	5.35	5.39	5.87	5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	6.50	6.98	*7.50*	*7.70*	Revenues per sh	*9.10*
1.02	1.02	1.19	.99	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	1.46	1.56	*1.65*	*1.85*	"Cash Flow" per sh	*2.30*
.67	.71	.76	.51	.66	.73	.61	.73	.71	.82	.87	.89	.72	.96	.84	.90	*1.00*	*1.05*	Earnings per sh A	*1.15*
.57	.58	.60	.61	.62	.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	.74	*.75*	*.76*	Div'd Decl'd per sh B■	*.80*
1.20	2.68	2.33	1.32	1.25	1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	1.50	1.36	*1.50*	*1.65*	Cap'l Spending per sh	*2.00*
6.00	6.80	6.95	6.98	7.11	7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	11.27	11.48	*11.75*	*12.10*	Book Value per sh D	*12.90*
8.54	9.82	10.00	10.11	10.17	10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	15.70	15.82	*16.00*	*16.25*	Common Shs Outst'g C	*17.00*
13.4	15.2	17.6	28.7	24.6	23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	21.7	20.8	*Bold figures are*		Avg Ann'l P/E Ratio	*20.0*
.77	.79	1.00	1.87	1.26	1.28	1.71	1.39	1.46	1.23	1.15	1.19	1.40	1.13	1.36	1.33	*Value Line*		Relative P/E Ratio	*1.35*
6.3%	5.4%	4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	4.0%	4.0%	*estimates*		Avg Ann'l Div'd Yield	*3.6%*

CAPITAL STRUCTURE as of 6/30/13
Total Debt $166.7 mill. **Due in 5 Yrs** $60.0 mill.
LT Debt $133.5 mill. **LT Interest** $7.0 mill.
(LT interest coverage: 4.1x)
(42% of Cap'l)

Pension Assets-12/12 $37.9 mill. **Oblig.** $62.8 mill.
Pfd Stock $3.4 mill. **Pfd Div'd:** $.2 mill.

Common Stock 15,847,729 shs. **as of 7/31/13**

MARKET CAP: $325 million (Small Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
64.1	71.0	74.6	81.1	86.1	91.0	91.2	102.7	102.1	110.4	*120*	*125*	Revenues ($mill)	*155*
6.6	8.4	8.5	10.0	11.8	12.2	10.0	14.3	13.4	14.4	*15.5*	*17.0*	Net Profit ($mill)	*20.0*
32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	32.7%	33.9%	*34.0%*	*34.0%*	Income Tax Rate	*34.0%*
--	--	--	--	--	--	--	6.8%	6.1%	3.4%	*4.5%*	*4.5%*	AFUDC % to Net Profit	*5.0%*
53.8%	53.8%	55.3%	49.5%	49.0%	45.6%	46.6%	43.1%	42.3%	41.5%	*43.0%*	*43.0%*	Long-Term Debt Ratio	*43.0%*
44.0%	42.5%	41.3%	47.5%	49.6%	51.8%	52.1%	55.8%	56.6%	57.4%	*57.0%*	*57.0%*	Common Equity Ratio	*57.0%*
181.1	214.5	231.7	264.0	268.8	259.4	267.9	310.5	312.5	316.5	*330*	*345*	Total Capital ($mill)	*400*
230.9	262.9	288.0	317.1	333.9	366.3	376.5	405.9	422.2	435.2	*440*	*450*	Net Plant ($mill)	*510*
5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	5.2%	5.4%	*4.5%*	*5.0%*	Return on Total Cap'l	*5.5%*
7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	7.5%	7.8%	*8.0%*	*8.5%*	Return on Shr. Equity	*9.0%*
8.0%	9.0%	8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	7.5%	7.8%	*8.0%*	*8.5%*	Return on Com Equity	*9.0%*
NMF	.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	1.0%	1.4%	*2.0%*	*2.5%*	Retained to Com Eq	*3.0%*
106%	90%	94%	84%	79%	78%	98%	75%	87%	83%	*80%*	*73%*	All Div'ds to Net Prof	*70%*

CURRENT POSITION ($MILL.)	2011	2012	6/30/13
Cash Assets	3.1	3.0	3.0
Other	19.8	21.6	23.1
Current Assets	22.9	24.6	26.1
Accts Payable	5.7	3.8	5.1
Debt Due	4.6	11.1	33.2
Other	36.4	41.1	17.6
Current Liab.	46.7	56.0	55.9
Fix. Chg. Cov.	380%	410%	*415%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	1.5%	1.0%	*5.5%*
"Cash Flow"	3.0%	2.0%	*7.0%*
Earnings	3.5%	2.5%	*4.0%*
Dividends	1.5%	1.5%	*1.5%*
Book Value	4.5%	4.0%	*2.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	21.6	26.5	29.6	25.0	102.7
2011	24.0	26.1	28.7	23.3	102.1
2012	23.5	27.4	32.3	27.1	110.4
2013	27.0	29.1	*34.0*	*29.9*	*120*
2014	*30.0*	*30.0*	*35.0*	*30.0*	*125*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.11	.31	.37	.17	.96
2011	.17	.23	.32	.12	.84
2012	.11	.23	.38	.17	.90
2013	.20	.28	*.35*	*.17*	*1.00*
2014	*.17*	*.28*	*.40*	*.20*	*1.05*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.178	.178	.178	.180	.71
2010	.180	.180	.180	.183	.72
2011	.183	.183	.183	.185	.73
2012	.185	.185	.185	.1875	.74
2013	.1875	.1875	.1875		

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 60,000 retail customers, primarily in Middlesex County, New Jersey. in 2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.

Historically, Middlesex Water's dividend increases have been incredibly consistent. Over the past nine years, (from 2003 to 2012), the utility has raised its annual payout by $0.01 a share.

Sometimes predictability isn't a positive. Over the past five and 10 years, respectively, the average dividend hike has been a meager 1.5%. This ranks near the bottom when compared to the other seven water utilities that *Value Line* covers.

Could Middlesex finally break its streak this quarter? Late October is usually the time when the company implements its annual dividend rate hike. With decent earnings comparisons, it's possible that Middlesex could go against convention and raise the payout by more than the traditional one-quarter of a cent per share. We are taking a show-me approach, with our figures representing the usual quarterly increase.

The utility's earnings have been improving. In the June period, Middlesex experienced its fourth-consecutive positive earnings comparison. This was mostly due to the implementation of higher rates in mid-2012, as well a better contract with the borough of Avalon, NJ, a wholesale client.

Performance in the industrial markets has impaired Middlesex. The utility lost a contract to supply water to the borough of Sayreville, NJ this past August. Another setback was the closure of a Hess oil refinery earlier in the year.

The company is targeting the residential market. Despite recently winning a contract to privatize the water system at the Dover Air Force Base in Delaware, Middlesex has budgeted $25 million a year over the next three years to improve the infrastructure of its residential business. We agree with this strategy as the residential market is both more predictable and profitable.

Middlesex shares are ranked to outperform the market in the year ahead. Some investors may also be attracted to the stock's high current yield. Those with a long-term horizon, however, can find other water utilities with higher total-return potential through the pull to 2016-2018.

James A. Flood *October 18, 2013*

(A) Diluted earnings. May not sum due to rounding. Next earnings report due early November.
(B) Dividends historically paid in mid-Feb., May, Aug., and November.■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.
(D) Intangible assets in 2012: $9.2 million, $0.58 a share.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	40
Earnings Predictability	80

SJW CORP. NYSE-SJW

RECENT PRICE	27.72	P/E RATIO	20.8 (Trailing: 21.7 / Median: 23.0)	RELATIVE P/E RATIO	1.18	DIV'D YLD	2.7%	VALUE LINE

TIMELINESS	1	Raised 8/9/13
SAFETY	3	New 4/22/11
TECHNICAL	4	Lowered 10/18/13
BETA .85 (1.00 = Market)		

High:	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	26.9	28.9
Low:	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9	22.6	24.5

2016-18 PROJECTIONS

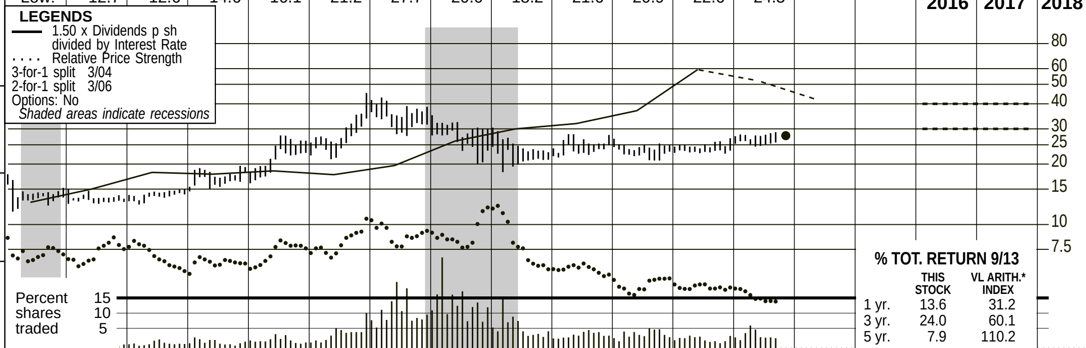
	Price	Gain	Ann'l Total Return
High	40	(+45%)	12%
Low	30	(+10%)	5%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	4	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	0	0	0	0
to Sell	0	1	0	0	0	0	0	0	0

Institutional Decisions

	4Q2012	1Q2013	2Q2013
to Buy	34	46	47
to Sell	30	20	28
Hld's(000)	9043	10000	10629



% TOT. RETURN 9/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	13.6	31.2
3 yr.	24.0	60.1
5 yr.	7.9	110.2

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.85	14.01	*14.05*	*14.75*	Revenues per sh	*16.30*
1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	2.97	*3.25*	*3.50*	"Cash Flow" per sh	*3.65*
.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	1.18	*1.30*	*1.40*	Earnings per sh A	*1.60*
.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.71	*.73*	*.75*	Div'd Decl'd per sh B■	*.90*
1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	5.67	*5.25*	*5.20*	Cap'l Spending per sh	*4.85*
7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.20	14.71	*15.40*	*16.40*	Book Value per sh	*19.15*
19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	18.67	*20.25*	*21.00*	Common Shs Outst'g C	*23.00*
11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	20.4	*Bold figures are*		Avg Ann'l P/E Ratio	*22.0*
.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.33	1.30	*Value Line*		Relative P/E Ratio	*1.45*
4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%	3.0%	*estimates*		Avg Ann'l Div'd Yield	*2.6%*

CAPITAL STRUCTURE as of 6/30/13
Total Debt $335.8 mill. **Due in 5 Yrs** $21.2 mill.
LT Debt $335.3 mill. **LT Interest** $18.6 mill.
(Total interest coverage: 4.6x) (52% of Cap'l)

Leases, Uncapitalized: Annual rentals $4.7 mill.

Pension Assets $75.5 mill. **Oblig.** $141.0 mill.

Pfd Stock None.

Common Stock 20,137,197 shs. as of7/26/13

MARKET CAP: $550 million (Small Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	239.0	261.5	*285*	*310*	Revenues ($mill)	*375*
16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.8	20.9	22.3	*26.0*	*29.0*	Net Profit ($mill)	*37.0*
36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	38.8%	41.1%	41.1%	*41.0%*	*40.0%*	Income Tax Rate	*40.0%*
1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	- -	2.0%	2.0%	*3.0%*	*4.0%*	AFUDC % to Net Profit	*5.0%*
45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.6%	55.0%	*54.5%*	*54.0%*	Long-Term Debt Ratio	*51.0%*
54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	43.4%	45.0%	*45.5%*	*46.0%*	Common Equity Ratio	*49.0%*
306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	607.9	610.2	*685*	*745*	Total Capital ($mill)	*900*
428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	756.2	831.6	*890*	*950*	Net Plant ($mill)	*1150*
6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.3%	4.9%	5.0%	*5.0%*	*5.0%*	Return on Total Cap'l	*6.0%*
10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	*8.5%*	*8.5%*	Return on Shr. Equity	*8.5%*
10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	*8.5%*	*8.5%*	Return on Com Equity	*8.5%*
4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	3.1%	3.3%	*3.5%*	*4.0%*	Retained to Com Eq	*3.5%*
53%	58%	47%	46%	57%	59%	80%	80%	61%	59%	*56%*	*54%*	All Div'ds to Net Prof	*56%*

CURRENT POSITION ($MILL.)	2011	2012	6/30/13
Cash Assets	26.7	2.5	4.0
Other	42.2	40.4	44.2
Current Assets	68.9	42.9	48.2
Accts Payable	7.4	8.5	15.9
Debt Due	.8	20.7	.5
Other	20.1	19.9	28.8
Current Liab.	28.3	49.1	45.2
Fix. Chg. Cov.	276%	247%	231%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	5.5%	4.0%	*4.0%*
"Cash Flow"	6.5%	3.5%	*5.0%*
Earnings	4.0%	-1.5%	*7.5%*
Dividends	5.0%	4.0%	*4.5%*
Book Value	5.5%	3.5%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	40.4	54.1	70.3	50.8	215.6
2011	43.7	59.0	73.9	62.4	239.0
2012	51.1	65.6	82.4	62.4	261.5
2013	50.1	74.2	*90.7*	*70.0*	*285*
2014	*60.0*	*75.0*	*100*	*75.0*	*310*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.055	.24	.44	.11	.84
2011	.03	.29	.44	.35	1.11
2012	.06	.28	.53	.31	1.18
2013	.07	.37	*.54*	*.32*	*1.30*
2014	*.10*	*.35*	*.60*	*.35*	*1.40*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.165	.165	.165	.165	.66
2010	.17	.17	.17	.17	.68
2011	.173	.173	.173	.173	.69
2012	.1775	.1775	.1775	.1775	.71
2013	.1825	.1825	.1825		

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 227,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has about 375 employees. Chrm.: Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int: www.sjwater.com.

A final decision on SJW's pending rate case will be delayed. The California Public Utility Commission (CPUC) has had to divert much of its resources to investigate the San Bruno gas pipeline explosion, which killed eight people in 2010.

Meanwhile, 2013 is benefiting from interim rate relief. SJW is seeking substantial rate increases of 21.5% for 2013, 4.9% in 2014, and 12.6% in 2016. Until a final decision is reached on this request, the utility has been allowed to raise rates on an interim basis. Though earnings comparisons won't be impressive in the second half of the year, we still think that the utility's share net can increase 10%, to $1.30

SJW's future is in the hands of regulators. While this statement is true for all utilities, SJW is more vulnerable than most. This is due to the enormous size of the rate hikes that it has petitioned for. Even though we view the company's expenditures as essential to the operations of its system, the sheer size of the requests puts the CPUC in a difficult position. It is politically very hard to raise rate payers' bills by such a large extent without a significant amount of political blow-back.

Therefore, our 2014 profit estimate for the company is pretty tenuous. Earnings should be fine as long as the interim rate relief is in place. Once the CPUC makes a final decision, things could change for the worse. In any case, we should point out that California regulators have been reasonable in the past, and hopefully some sort of deal that satisfies both sides can be reached.

We expect SJW to tap the external markets in the years ahead. The company estimates that it will have to invest $100 million annually through 2016-2018 in order to upgrade its aging infrastructure. Internal cash flow will fall well short of generating sufficient funds to meet these outlays. Thus, there will be dilutive equity offerings and costly debt issuance. Both of these moves will impair the company's earnings growth.

SJW shares now carry our Highest rank (1) for Timeliness. Momentum investors may find this stock of interest, others might be scared off by the possibility of a harsh regulatory decision.

James A. Flood *October 18, 2013*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, 46¢. Next earnings report due late October. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	80
Price Growth Persistence	50
Earnings Predictability	80

YORK WATER NDQ-YORW

RECENT PRICE 19.90 | P/E RATIO 25.8 (Trailing: 26.5 Median: 25.0) | RELATIVE P/E RATIO 1.47 | DIV'D YLD 2.9% | VALUE LINE

TIMELINESS 4 Lowered 10/4/13
SAFETY 2 New 7/19/13
TECHNICAL 3 Lowered 8/2/13
BETA .70 (1.00 = Market)

High:	13.4	13.5	14.0	17.9	21.0	18.5	16.5	18.0	18.0	18.1	18.5	22.0
Low:	8.2	9.3	11.0	11.7	15.3	15.5	6.2	9.7	12.8	15.8	16.8	17.6

2016-18 PROJECTIONS

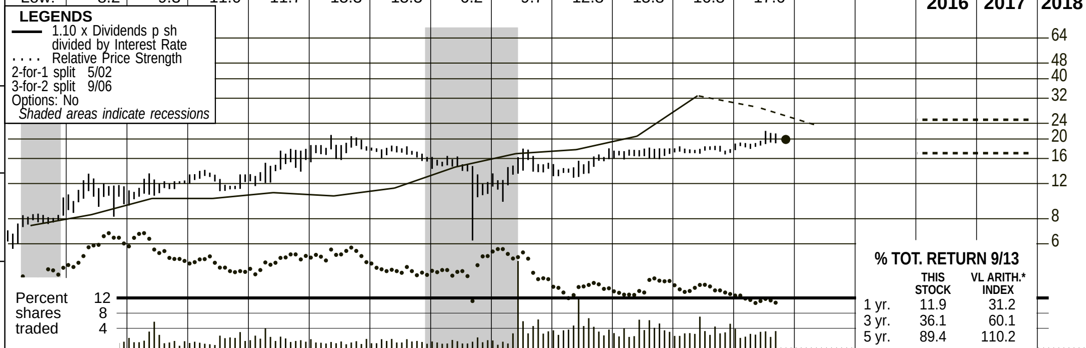
	Price	Gain	Ann'l Total Return
High	25	(+25%)	8%
Low	17	(-15%)	Nil

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	4	0	0	4	0	1	5
Options	0	0	0	0	0	0	0	0	0
to Sell	0	1	0	0	0	1	0	0	0

Institutional Decisions

	4Q2012	1Q2013	2Q2013
to Buy	26	33	32
to Sell	27	21	26
Hld's(000)	3178	3375	3346



% TOT. RETURN 9/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	11.9	31.2
3 yr.	36.1	60.1
5 yr.	89.4	110.2

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
--	--	--	--	2.05	2.05	2.17	2.18	2.58	2.56	2.79	2.89	2.95	3.07	3.18	3.21	*3.40*	*3.50*	Revenues per sh	*3.55*
--	--	--	--	.59	.57	.65	.65	.79	.77	.86	.88	.95	1.07	1.09	1.12	*1.20*	*1.30*	"Cash Flow" per sh	*1.40*
--	--	--	--	.43	.40	.47	.49	.56	.58	.57	.57	.64	.71	.71	.72	*.75*	*.85*	Earnings per sh A	*.90*
--	--	--	--	.34	.35	.37	.39	.42	.45	.48	.49	.51	.52	.53	.54	*.55*	*.57*	Div'd Decl'd per sh B	*.65*
--	--	--	--	.75	.66	1.07	2.50	1.69	1.85	1.69	2.17	1.18	.83	.74	.94	*.90*	*.80*	Cap'l Spending per sh	*.90*
--	--	--	--	3.79	3.90	4.06	4.65	4.85	5.84	5.97	6.14	6.92	7.19	7.45	7.73	*8.05*	*8.35*	Book Value per sh	*8.60*
--	--	--	--	9.46	9.55	9.63	10.33	10.40	11.20	11.27	11.37	12.56	12.69	12.79	12.92	*13.00*	*13.20*	Common Shs Outst'g C	*14.00*
--	--	--	--	17.8	26.9	24.5	25.7	26.3	31.2	30.3	24.6	21.9	20.7	23.9	24.4	*Bold figures are*		Avg Ann'l P/E Ratio	*22.5*
--	--	--	--	.91	1.47	1.40	1.36	1.40	1.68	1.61	1.48	1.46	1.32	1.50	1.55	*Value Line*		Relative P/E Ratio	*1.50*
--	--	--	--	4.4%	3.3%	3.2%	3.1%	2.9%	2.5%	2.8%	3.5%	3.6%	3.5%	3.1%	3.1%	*estimates*		Avg Ann'l Div'd Yield	*3.2%*

CAPITAL STRUCTURE as of 6/30/13
Total Debt \$84.9 mill. **Due in 5 Yrs** \$19.5 mill.
LT Debt \$84.9 mill. **LT Interest** \$5.2 mill.
(Total interest coverage: 2.9x)
(46% of Cap'l)

Pension Assets 12/12 \$22.7 mill. **Oblig.** \$34.7 mill.

Pfd Stock None

Common Stock 12,912,243 shs. as of 8/6/13

MARKET CAP: \$250 million (Small Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
20.9	22.5	26.8	28.7	31.4	32.8	37.0	39.0	40.6	41.4	*43.0*	*46.0*	Revenues (\$mill)	*50.0*
4.4	4.8	5.8	6.1	6.4	6.4	7.5	8.9	9.1	9.3	*10.2*	*11.3*	Net Profit (\$mill)	*12.6*
34.8%	36.7%	36.7%	34.4%	36.5%	36.1%	37.9%	38.5%	35.3%	37.6%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
--	--	--	7.2%	3.6%	10.1%	--	1.2%	1.1%	1.1%	*1.0%*	*1.0%*	AFUDC % to Net Profit	*1.0%*
43.4%	42.5%	44.1%	48.3%	46.5%	54.5%	45.7%	48.3%	47.1%	46.0%	*45.0%*	*45.0%*	Long-Term Debt Ratio	*43.0%*
56.6%	57.5%	55.9%	51.7%	53.5%	45.5%	54.3%	51.7%	52.9%	54.0%	*55.0%*	*55.0%*	Common Equity Ratio	*57.0%*
69.0	83.6	90.3	126.5	125.7	153.4	160.1	176.4	180.2	184.8	*190*	*197*	Total Capital (\$mill)	*220*
116.5	140.0	155.3	174.4	191.6	211.4	222.0	228.4	233.0	240.3	*245*	*250*	Net Plant (\$mill)	*265*
8.5%	7.6%	8.4%	6.2%	6.7%	5.7%	6.2%	6.5%	6.4%	6.4%	*6.5%*	*7.0%*	Return on Total Cap'l	*7.0%*
11.4%	10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	*9.5%*	*10.0%*	Return on Shr. Equity	*10.0%*
11.4%	10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	9.3%	*9.5%*	*10.0%*	Return on Com Equity	*10.0%*
2.6%	2.1%	3.0%	2.2%	1.7%	1.4%	1.9%	2.7%	2.5%	2.4%	*3.0%*	*3.0%*	Retained to Com Eq	*3.0%*
77%	79%	74%	77%	82%	85%	78%	72%	73%	74%	*71%*	*67%*	All Div'ds to Net Prof	*72%*

CURRENT POSITION (\$MILL.)	2011	2012	6/30/13
Cash Assets	4.0	4.0	4.2
Accounts Receivable	6.0	6.4	4.0
Other	1.4	1.2	4.0
Current Assets	11.4	11.6	12.2
Accts Payable	1.1	1.1	1.5
Debt Due	.1	.1	--
Other	4.1	4.3	4.0
Current Liab.	5.3	5.5	5.5
Fix. Chg. Cov.	160%	156%	154%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	4.5%	3.5%	*2.0%*
"Cash Flow"	6.5%	6.5%	*4.0%*
Earnings	5.5%	4.5%	*4.0%*
Dividends	1.5%	3.0%	*3.5%*
Book Value	7.0%	6.0%	*2.5%*

Cal-endar	QUARTERLY REVENUES (\$ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	9.0	9.7	10.5	9.8	39.0
2011	9.6	10.5	10.5	10.0	40.6
2012	9.6	10.4	11.0	10.4	41.4
2013	10.1	10.7	*11.2*	*11.0*	*43.0*
2014	*10.5*	*11.5*	*12.2*	*11.8*	*46.0*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.15	.18	.21	.17	.71
2011	.17	.19	.19	.16	.71
2012	.15	.17	.22	.18	.72
2013	.17	.18	*.21*	*.19*	*.75*
2014	*.19*	*.21*	*.23*	*.22*	*.85*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.126	.126	.126	.126	.504
2010	.128	.128	.128	.128	.512
2011	.131	.131	.131	.131	.524
2012	.134	.134	.134	.134	.535
2013	.138	.138	.138	.138	

BUSINESS: The York Water Company is the oldest investor-owned regulated water utility in the United States. It has operated continuously since 1816. As of December 31, 2012, the company's average daily availability was 35.0 million gallons and its service territory had an estimated population of 189,000. Has more than 63,000 customers. Residential customers accounted for 63% of 2012 revenues; commercial and industrial (29%); other (8%). It also provides sewer billing services. Incorporated: PA. York had 103 full-time employees at 12/31/12. President/CEO: Jeffrey R. Hines. Officers/directors own 1.2% of the common stock (3/13 proxy). Address: 130 East Market Street York, Pennsylvania 17401. Telephone: (717) 845-3601. Internet: www.yorkwater.com.

There have been very few surprises at The York Water Company in the recent past. From 2010 through 2012, the company's annual share earnings varied by only \$0.01 a share. The dividend was also very predictable, as it rose by just \$0.01 a share annually during the same time span.

York is awaiting the outcome of a major rate case. Last May, the utility petitioned Pennsylvania regulators for a 17% rate increase (about \$7.1 million in revenues a year). The request was to recoup the \$49 million that York has spent since 2010 to modernize and update its aging infrastructure. In addition, along with the help of a large rate increase for wastewater customers, the added funds will help the utility replace 30 miles of pipeline and reduce water leakage for the 190,000 people it services.

We think that the outcome will be relatively reasonable. There is no doubt that the current and projected expenditures by York are essential to keeping the system operating efficiently. However, we should point out that no matter how justified utility spending is, regulators face strong political pressure not to implement significant rate hikes.

Dividend growth should remain relatively modest in the years ahead. Though we think that the company will raise its annual payout by \$0.02 a share in 2014, the growth rate over the next three- to five-year period will be slightly on the low side for a water utility.

Finances are in decent shape. The equity-to-total capital ratio is healthy at a solid 54%. Still, our Financial Strength rating for York is an average B+. This metric would be higher if the company's capital base was more substantial.

There is nothing particularly noteworthy about York Water's shares. Both the equity's current yield and dividend growth prospects are in line with those of most of its peers. Moreover, the stock has performed fairly well of late and is now trading at over 25 times our 12 month share-earnings estimate. And finally, according to our proprietary Timeliness Ranking System, York shares should underperform the market averages in the upcoming six- to 12-month period.

James A. Flood *October 18, 2013*

(A) Diluted earnings. Next earnings report due early November.
(B) Dividends historically paid in mid-January, April, July, and October.
(C) In millions, adjusted for splits.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	75
Earnings Predictability	100

Carolina Water Services, Inc.
Current Institutional Holdings and Individual Holdings
the Proxy Group of Nine Water Companies

Proxy Group of Nine Water Companies	1 October 31, 2013 Percentage of Institutional Holdings	2 October 31, 2013 Percentage of Individual Holdings (1)
American States Water Co.	62.12 %	37.88 %
American Water Works Co., Inc.	81.96	18.04
Aqua America, Inc.	47.24	52.76
Artesian Resources Corp.	37.90	62.10
California Water Service Group	56.98	43.02
Connecticut Water Service, Inc.	41.63	58.37
Middlesex Water Company	39.10	60.90
SJW Corporation	52.89	47.11
York Water Company	26.08	73.92
Average	49.54 %	50.46 %

Notes:
(1) (1 - column 1).

Source of Information: pro.edgar-online.com, October 31, 2013

Carolina Water Services, Inc.
Summary of Risk Premium Models for the
Proxy Group of Nine Water Companies

		Proxy Group of Nine Water Companies
Predictive Risk Premium Model ™ (PRPM™) (1)		12.07 %
Risk Premium Using an Adjusted Market Approach (2)		9.96 %
	Average	11.54 %

Notes:
(1) From page 2 of this Schedule.
(2) From page 3 of this Schedule.

Carolina Water Services, Inc.
Derivation of Common Equity Cost Rate
Using the Predictive Risk Premium Model ™ (PRPM ™)
Proxy Group of Nine Water Companies (1)

	American States Water Co.	American Water Works Co., Inc.	Aqua America, Inc.	Artesian Resources Corp.	California Water Service Group	Connecticut Water Service, Inc.	Middlesex Water Company	SJW Corporation	York Water Company
GARCH Coefficient (2)	1.516803327	4.769091604	2.221510553	2.117502072	1.75823285	1.73798	1.972679422	1.337948339	1.946299283
Average Variance (2)	0.39%	0.28%	0.48%	0.30%	0.31%	0.29%	0.27%	0.42%	0.46%
PRPM™ Derived Risk Premium (2)	7.37%	17.45%	13.51%	8.02%	6.81%	6.11%	6.56%	6.97%	11.40%
Risk-Free Rate (3)	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%
Indicated Cost of Common Equity	11.68%	NA	17.82%	12.33%	11.12%	10.42%	10.87%	11.28%	15.71%
								Average	12.65%
								Median	11.48%
								Average of Average and Median Results:	12.07%

Notes:
(1) PRPM™ calculated from first available trading month through September 2013.
(2) Based upon data from CRSP® Data © 2012, Center For Research in Security Prices (CRSP®), The University of Chicago Booth School of Business.
(3) From note 3 on page 2 of Schedule 6.

Carolina Water Services, Inc.
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Nine Water Companies
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.08 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	0.23 (2)
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	5.31 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	-0.04 (3)
5.	Adjusted Prospective Bond Yield	5.27 %
6.	Equity Risk Premium (4)	4.69
7.	Risk Premium Derived Common Equity Cost Rate	9.96 %

Notes:
(1) Average consensus forecast of Moody's Aaa Rated Corporate bonds from Blue Chip Financial Forecasts (see pages 9 and 10 of this Schedule).
(2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.23% from page 6 of this Schedule.
(3) Adjustment to reflect the A1/A2 Moody's bond rating of the proxy group of nine water companies as shown on page 4 of this Schedule. The 4 basis point adjustment is derived by taking 1/6 of the spread between Aa2 and A2 Public Utility Bonds (1/6 * 0.22% = 0.04%).
(4) From page 7 of this Schedule.

Carolina Water Services, Inc.
Comparison of Bond Ratings for the
Proxy Group of Nine Water Companies

	Moody's Bond Rating November 2013		Standard & Poor's Bond Rating November 2013	
Proxy Group of Nine Water Companies	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)
American States Water Co. (2)	A2	6.0	A+	5.0
American Water Works Co., Inc. (3)	A1	5.0	A	6.0
Aqua America, Inc. (4)	NR	- -	AA-	4.0
Artesian Resources Corp.	NR	- -	NR	- -
California Water Service Group (5)	NR	- -	AA-	4.0
Connecticut Water Service, Inc. (6)	NR	- -	A	6.0
Middlesex Water Company	NR	- -	A	6.0
SJW Corporation (7)	NR	- -	A	6.0
York Water Company	NR	- -	A-	7.0
Average	A1/A2	5.5	A+/A	5.5

Notes:
(1) From page 5 of this Schedule.
(2) Ratings are those of Golden State Water Company.
(3) Rating are those of Pennsylvania and New Jersey American Water.
(4) Ratings are those of Aqua Pennsylvania, Inc.
(5) Ratings are those of California Water Service Co.
(6) Ratings are those of Connecticut Water Company.
(7) Ratings are those of San Jose Water Co.

Source Information: Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

Moody's
Comparison of Interest Rate Trends
for the Three Months Ending September 2013 (1)

Months	Corporate Bonds	Public Utility Bonds			Spread - Corporate v. Public Utility Bonds			Spread - Public Utility Bonds	
	Aaa Rated	Aa Rated	A Rated	Baa Rated	Aa (Pub. Util.) over Aaa (Corp.)	A (Pub. Util.) over Aaa (Corp.)	Baa (Pub. Util.) over Aaa (Corp.)	A over Aa	Baa over A
September-13	4.64 %	4.58 %	4.80 %	5.31 %					
August-13	4.54	4.53	4.73	5.28					
July-13	4.34	4.44	4.68	5.21					
Average of Last 3 Months	4.51 %	4.52 %	4.74 %	5.27 %	0.01 %	0.23 %	0.76 %	0.22 %	0.53 %

Notes: (1) All yields are distributed yields.

Source of Information: Mergent Bond Record, October 2013, Vol. 80, No. 10.

Carolina Water Services, Inc.
Judgment of Equity Risk Premium for
the Proxy Group of Nine Water Companies

Line No.		Proxy Group of Nine Water Companies
1.	Calculated equity risk premium based on the total market using the beta approach (1)	4.67 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	4.70
3.	Average equity risk premium	4.69 %

Notes: (1) From page 8 of this Schedule.
(2) From page 11 of this Schedule.

Carolina Water Services, Inc.
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Nine Water Companies

Line No.		Proxy Group of Nine Water Companies
	Based on SBBI Valuation Yearbook Data:	
1.	Ibbotson Equity Risk Premium (1)	5.60 %
2.	Ibbotson Equity Risk Premium based on PRPM™ (2)	9.22
	Based on Value Line Summary and Index:	
3.	Equity Risk Premium Based on Value Line Summary and Index (3)	5.19
4.	Conclusion of Equity Risk Premium (4)	6.67 %
5.	Adjusted Value Line Beta (5)	0.70
6	Beta Adjusted Equity Risk Premium	4.67 %

Notes:

(1) Based on the arithmetic mean historical monthly returns on large company common stocks from Ibbotson® SBBI® 2013 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation minus the arithmetic mean monthly yield of Moody's Aaa and Aa corporate bonds from 1926 - 2012. (11.83% - 6.23% = 5.60%).

(2) The Predictive Risk Premium Model (PRPM™) is discussed in Mr.D'Ascendis's accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM™ is derived by applying the PRPM™ to the monthly risk premiums between Ibbotson large company common stock monthly returns minus the average Aaa and Aa corporate monthly bond yields, from January 1928 through September 2013.

(3) The equity risk premium based on the Value Line Summary and Index is derived from taking the projected 3-5 year total annual market return of 10.27% (described fully in note 1 of page 2 of Schedule 6) and subtracting the average consensus forecast of Aaa corporate bonds of 5.08% (Shown on page 3 of this Schedule). (10.27% - 5.08% = 5.19%).

(4) Average of Lines 1, 2, & 3.

(5) Median beta derived from page 1 of Schedule 6.

Sources of Information:

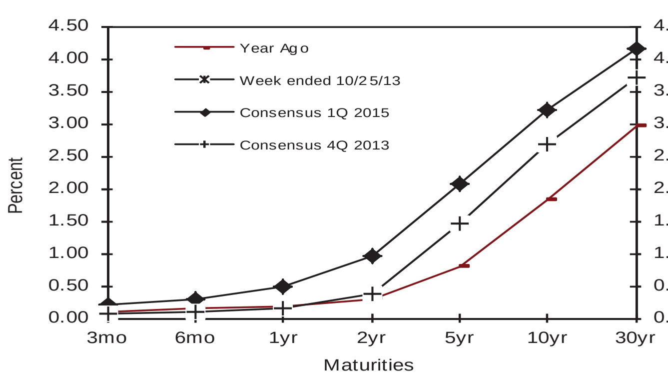
Ibbotson® SBBI® 2013 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation, Morningstar, Inc., 2013 Chicago, IL.
Industrial Manual and Mergent Bond Record Monthly Update.
Value Line Summary and Index
Blue Chip Financial Forecasts, June 1 and November 1, 2013

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

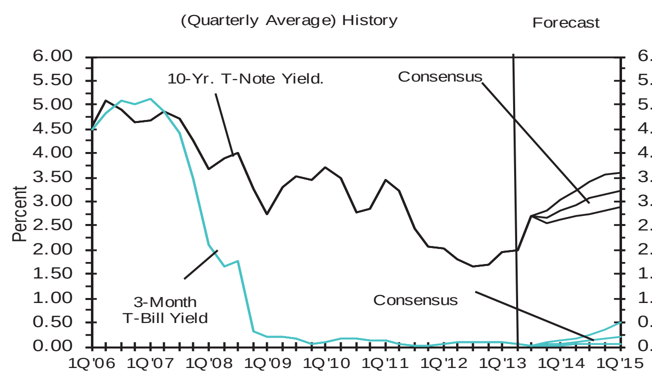
	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month			Latest Q	4Q	1Q	2Q	3Q	4Q	1Q
Interest Rates	Oct. 25	Oct. 18	Oct. 11	Oct. 4	Sep.	Aug.	July	3Q 2013	2013	2014	2014	2014	2014	2015
Federal Funds Rate	0.09	0.10	0.08	0.08	0.08	0.08	0.09	0.08	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.2**
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**
LIBOR, 3-mo.	0.24	0.24	0.24	0.24	0.25	0.26	0.27	0.26	**0.3**	**0.3**	**0.3**	**0.3**	**0.4**	**0.4**
Commercial Paper, 1-mo.	0.06	0.11	0.10	0.05	0.05	0.05	0.06	0.05	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**	**0.3**
Treasury bill, 3-mo.	0.04	0.08	0.05	0.02	0.02	0.04	0.04	0.03	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**
Treasury bill, 6-mo.	0.07	0.11	0.07	0.04	0.04	0.07	0.07	0.06	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**	**0.3**
Treasury bill, 1 yr.	0.11	0.14	0.14	0.11	0.12	0.13	0.12	0.12	**0.1**	**0.2**	**0.2**	**0.3**	**0.4**	**0.5**
Treasury note, 2 yr.	0.32	0.34	0.37	0.33	0.40	0.36	0.34	0.37	**0.4**	**0.4**	**0.6**	**0.7**	**0.8**	**1.0**
Treasury note, 5 yr.	1.34	1.39	1.43	1.39	1.60	1.52	1.40	1.51	**1.4**	**1.6**	**1.7**	**1.8**	**1.9**	**2.1**
Treasury note, 10 yr.	2.58	2.66	2.68	2.64	2.81	2.74	2.58	2.71	**2.7**	**2.8**	**2.9**	**3.1**	**3.2**	**3.2**
Treasury note, 30 yr.	3.64	3.70	3.72	3.71	3.79	3.76	3.61	3.72	**3.7**	**3.8**	**3.9**	**4.0**	**4.1**	**4.2**
Corporate Aaa bond	4.48	4.55	4.58	4.58	4.64	4.54	4.34	4.51	**4.5**	**4.6**	**4.7**	**4.8**	**4.9**	**5.0**
Corporate Baa bond	5.24	5.32	5.38	5.41	5.47	5.42	5.32	5.40	**5.4**	**5.5**	**5.6**	**5.7**	**5.8**	**5.9**
State & Local bonds	4.56	4.68	4.57	4.53	4.79	4.82	4.56	4.72	**4.6**	**4.6**	**4.7**	**4.8**	**4.8**	**4.9**
Home mortgage rate	4.13	4.28	4.23	4.22	4.49	4.46	4.37	4.44	**4.4**	**4.5**	**4.6**	**4.7**	**4.8**	**4.9**
	History								Consensus Forecasts-Quarterly					
	4Q	1Q	2Q	3Q	4Q	1Q	1Q	*3Q**	4Q	1Q	2Q	3Q	4Q	1Q
Key Assumptions	2011	2012	2012	2012	2012	2013	2013	*2013*	2013	2014	2014	2014	2014	2015
Major Currency Index	72.4	72.9	73.9	74.0	73.2	74.7	76.4	76.6	**75.7**	**75.8**	**76.3**	**76.6**	**77.0**	**77.0**
Real GDP	4.9	3.7	1.2	2.8	0.1	1.1	2.5	*2.1*	**2.1**	**2.7**	**2.8**	**2.8**	**2.9**	**3.0**
GDP Price Index	0.5	2.0	1.8	2.3	1.1	1.3	0.6	*1.7*	**1.7**	**1.8**	**1.8**	**1.9**	**2.0**	**2.0**
Consumer Price Index	1.4	2.3	1.0	2.1	2.2	1.4	0.0	*2.1*	**1.7**	**1.9**	**1.9**	**2.2**	**2.1**	**2.2**

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS). *Figures for 3Q 2013 Real GDP, the GDP Chained Price Index and the Consumer Price Index are consensus forecasts based on a special question asked of the panelists' this month.*

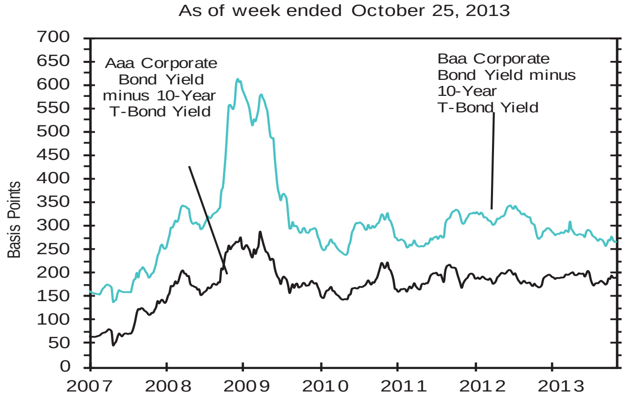
U.S. Treasury Yield Curve
Week ended October 25, 2013 and Year Ago vs.
4Q 2013 and 1Q 2015 Consensus Forecasts



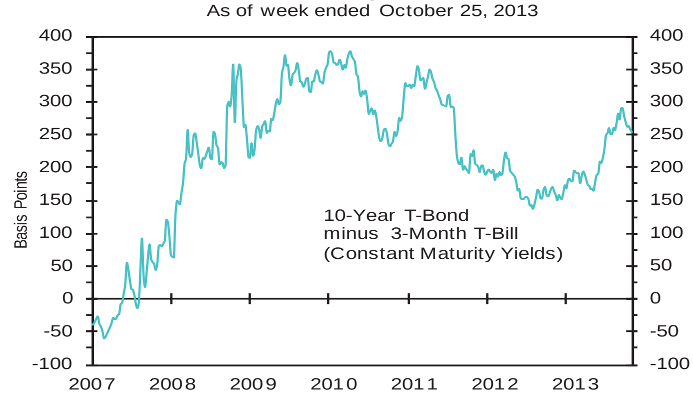
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield



Corporate Bond Spreads
As of week ended October 25, 2013



U.S. Treasury Yield Curve
As of week ended October 25, 2013



Long-Range Forecasts:

The table below contains results of our semi-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are estimates for the years 2015 through 2019 and averages for the five-year periods 2015-2019 and 2020-2024. Apply these projections cautiously. Few economic, demographic and political forces can be evaluated accurately over such long time spans.

		-----------Average For The Year------------					Five-Year Averages	
Interest Rates		**2015**	**2016**	**2017**	**2018**	**2019**	**2015-2019**	**2020-2024**
1. Federal Funds Rate	**CONSENSUS**	**0.8**	**2.0**	**3.1**	**3.6**	**3.9**	**2.7**	**3.8**
	Top 10 Average	1.6	3.4	4.3	4.4	4.6	3.7	4.6
	Bottom 10 Average	0.2	0.8	1.7	2.5	3.1	1.7	2.9
2. Prime Rate	**CONSENSUS**	**3.9**	**5.1**	**6.1**	**6.6**	**6.9**	**5.7**	**6.8**
	Top 10 Average	4.7	6.5	7.3	7.6	7.6	6.7	7.5
	Bottom 10 Average	3.3	3.9	4.8	5.5	6.1	4.7	6.0
3. LIBOR, 3-Mo.	**CONSENSUS**	**1.1**	**2.4**	**3.3**	**3.9**	**4.1**	**3.0**	**4.1**
	Top 10 Average	2.0	3.8	4.6	4.8	4.9	4.0	4.9
	Bottom 10 Average	0.5	1.1	2.0	2.8	3.3	1.9	3.0
4. Commercial Paper, 1-Mo.	**CONSENSUS**	**1.0**	**2.3**	**3.2**	**3.7**	**3.9**	**2.8**	**3.7**
	Top 10 Average	1.7	3.4	4.3	4.5	4.6	3.7	4.5
	Bottom 10 Average	0.5	1.2	2.1	2.8	3.1	1.9	2.8
5. Treasury Bill Yield, 3-Mo.	**CONSENSUS**	**0.9**	**2.0**	**3.1**	**3.5**	**3.8**	**2.7**	**3.7**
	Top 10 Average	1.7	3.4	4.3	4.5	4.6	3.7	4.5
	Bottom 10 Average	0.2	0.8	1.7	2.4	2.9	1.6	2.7
6. Treasury Bill Yield, 6-Mo.	**CONSENSUS**	**1.0**	**2.2**	**3.2**	**3.7**	**3.9**	**2.8**	**3.9**
	Top 10 Average	1.8	3.5	4.4	4.7	4.7	3.8	4.6
	Bottom 10 Average	0.3	1.0	1.8	2.6	3.0	1.7	2.8
7. Treasury Bill Yield, 1-Yr.	**CONSENSUS**	**1.2**	**2.4**	**3.3**	**3.8**	**4.0**	**2.9**	**4.0**
	Top 10 Average	2.1	3.6	4.5	4.8	4.9	4.0	4.8
	Bottom 10 Average	0.4	1.1	1.9	2.7	3.1	1.9	3.0
8. Treasury Note Yield, 2-Yr.	**CONSENSUS**	**1.6**	**2.7**	**3.6**	**4.1**	**4.2**	**3.2**	**4.2**
	Top 10 Average	2.4	3.8	4.7	5.0	5.1	4.2	5.0
	Bottom 10 Average	0.8	1.6	2.4	3.0	3.3	2.2	3.1
10. Treasury Note Yield, 5-Yr.	**CONSENSUS**	**2.3**	**3.3**	**4.1**	**4.4**	**4.6**	**3.8**	**4.5**
	Top 10 Average	3.2	4.4	5.1	5.3	5.5	4.7	5.3
	Bottom 10 Average	1.5	2.3	3.1	3.4	3.6	2.8	3.5
11. Treasury Note Yield, 10-Yr.	**CONSENSUS**	**3.2**	**4.1**	**4.6**	**4.9**	**5.0**	**4.4**	**4.9**
	Top 10 Average	4.0	5.0	5.5	5.8	5.9	5.3	5.7
	Bottom 10 Average	2.5	3.2	3.6	3.8	4.0	3.4	4.0
12. Treasury Bond Yield, 30-Yr.	**CONSENSUS**	**4.2**	**4.8**	**5.4**	**5.6**	**5.7**	**5.2**	**5.6**
	Top 10 Average	5.0	5.9	6.4	6.6	6.8	6.1	6.5
	Bottom 10 Average	3.5	3.9	4.4	4.6	4.7	4.2	4.7
13. Corporate Aaa Bond Yield	**CONSENSUS**	**4.9**	**5.5**	**6.0**	**6.2**	**6.3**	**5.8**	**6.3**
	Top 10 Average	5.6	6.5	7.0	7.1	7.3	6.7	7.1
	Bottom 10 Average	4.1	4.5	5.1	5.3	5.4	4.9	5.4
13. Corporate Baa Bond Yield	**CONSENSUS**	**5.8**	**6.6**	**7.1**	**7.4**	**7.5**	**6.9**	**7.4**
	Top 10 Average	6.6	7.6	8.0	8.3	8.5	7.8	8.3
	Bottom 10 Average	5.1	5.6	6.2	6.4	6.5	5.9	6.5
14. State & Local Bonds Yield	**CONSENSUS**	**4.4**	**5.1**	**5.5**	**5.6**	**5.7**	**5.2**	**5.6**
	Top 10 Average	5.2	6.1	6.5	6.5	6.6	6.2	6.4
	Bottom 10 Average	3.8	4.1	4.6	4.7	4.9	4.4	4.8
15. Home Mortgage Rate	**CONSENSUS**	**4.8**	**5.6**	**6.2**	**6.4**	**6.5**	**5.9**	**6.5**
	Top 10 Average	5.7	6.6	7.1	7.4	7.4	6.8	7.3
	Bottom 10 Average	4.1	4.6	5.1	5.4	5.5	5.0	5.5
A. FRB - Major Currency Index	**CONSENSUS**	**78.6**	**79.1**	**79.3**	**79.6**	**79.6**	**79.2**	**80.0**
	Top 10 Average	82.7	83.7	84.7	85.2	85.3	84.3	85.9
	Bottom 10 Average	74.4	74.2	73.9	73.9	74.1	74.1	74.2

		----------Year-Over-Year, % Change----------					Five-Year Averages	
		2015	**2016**	**2017**	**2018**	**2019**	**2015-2019**	**2020-2024**
B. Real GDP	**CONSENSUS**	**3.0**	**2.9**	**2.8**	**2.7**	**2.6**	**2.8**	**2.5**
	Top 10 Average	3.5	3.3	3.2	3.1	3.1	3.2	2.9
	Bottom 10 Average	2.6	2.6	2.4	2.3	2.3	2.4	2.2
C. GDP Chained Price Index	**CONSENSUS**	**2.1**	**2.1**	**2.2**	**2.2**	**2.2**	**2.1**	**2.2**
	Top 10 Average	2.4	2.5	2.6	2.6	2.6	2.5	2.5
	Bottom 10 Average	1.6	1.7	1.8	1.8	1.8	1.7	1.9
D. Consumer Price Index	**CONSENSUS**	**2.3**	**2.4**	**2.4**	**2.4**	**2.4**	**2.4**	**2.4**
	Top 10 Average	2.7	2.8	2.9	2.9	2.9	2.8	2.8
	Bottom 10 Average	1.8	1.9	1.8	1.9	2.0	1.9	2.0

Carolina Water Services, Inc.
Derivation of Mean Equity Risk Premium Based on a Study
Using Holding Period Returns of Public Utilities

Line No.		Over A Rated Moody's Public Utility Bonds - AUS Consultants Study (1)
1.	Arithmetic Mean Holding Period Returns on the Standard & Poor's Utility Index 1926-2012 (2):	10.69 %
2.	Arithmetic Mean Yield on Moody's A Rated Public Utility Yields 1926-2012	(6.53)
3.	Historical Equity Risk Premium	4.16 %
4.	Forecasted Equity Risk Premium Based on PRPM™ (3)	5.24
5.	Average of Historical and PRPM™ Equity Risk Premium	4.70 %

Notes: (1) Based on S&P Public Utility Index monthly total returns and Moody's Public Utility Bond average monthly yields from 1928-2012, (AUS Consultants, 2013).

(2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.

(3) The Predictive Risk Premium Model (PRPM™) is applied to the risk premium of the monthly total returns of the S&P Utility Index and the monthly yields on Moody's A rated public utility bonds from 1928 - 2012.

Carolina Water Services, Inc.
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	1	2	3	4	5	6
Proxy Group of Nine Water Companies	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate (3)	ECAPM Cost Rate (4)	Indicated Common Equity Cost Rate (5)
American States Water Co.	0.70	7.61 %	4.31 %	9.64 %	10.21 %	
American Water Works Co., Inc.	0.65	7.61	4.31	9.26	9.92	
Aqua America, Inc.	0.60	7.61	4.31	8.88	9.64	
Artesian Resources Corp.	0.60	7.61	4.31	8.88	9.64	
California Water Service Group	0.65	7.61	4.31	9.26	9.92	
Connecticut Water Service, Inc.	0.75	7.61	4.31	10.02	10.49	
Middlesex Water Company	0.70	7.61	4.31	9.64	10.21	
SJW Corporation	0.85	7.61	4.31	10.78	11.06	
York Water Company	0.70	7.61	4.31	9.64	10.21	
Average	0.69			9.55 %	10.14 %	9.85 %
Median	0.70			9.64 %	10.21 %	9.93 %
Average of Average and Median Results:						9.89 %

See page 2 for notes.

Carolina Water Services, Inc.
Development of the Market-Required Rate of Return on Common Equity Using
the Capital Asset Pricing Model for
the Proxy Group of Nine Water Companies
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

(1) For reasons explained in Mr. D'Ascendis' accompanying direct testimony, from the 13 weeks ending November 1, 2013, Value Line Summary & Index, a forecasted 3-5 year total annual market return of 10.27% can be derived by averaging the 13 weeks ending November 1, 2013 forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 37% produces a four-year average annual return of 8.19% (($1.37^{0.25}$) - 1). When the average annual forecasted dividend yield of 2.08% is added, a total average market return of 10.27% (2.08% + 8.19%) is derived.

The 13 weeks ending November 1, 2013 forecasted total market return of 10.27% minus the risk-free rate of 4.31 (developed in Note 2) is 5.96% (10.27% - 4.31%).

The Predictive Risk Premium Model (PRPM™) market equity risk premium of 10.32% is derived by applying the PRPM™ to the monthly equity risk premium of large company common stocks over the income return on long-term U.S. Government Securities from January 1926 through September 2013.

The Morningstar, Inc. (Ibbotson Associates) calculated arithmetic mean monthly market equity risk premium of 6.55% for the period 1926-2012 results from a total market return of 11.83%% less the arithmetic mean income return on long-term U.S. Government Securities of 5.28% (11.83% - 5.28% = 6.55%).

These three expectational risk premiums are then averaged, resulting in a 7.61% market equity risk premium, which is then multiplied by the beta in column 1 of page 1 of this Schedule. ((5.96% + 10.32% + 6.55%)/3).

(2) For reasons explained in Mr. D'Ascendis' direct testimony, the risk-free rate that he relies upon for his CAPM analysis is the average forecast of 30-year Treasury Note yields per the consensus of nearly 50 economists reported in the Blue Chip Financial Forecasts dated June 1 and November 1, 2013 (see pages 9 & 10 of Schedule 5).The estimates are detailed below:

	30-Year Treasury Note Yield
Fourth Quarter 2013	3.70%
First Quarter 2014	3.80%
Second Quarter 2014	3.90%
Third Quarter 2014	4.00%
Fourth Quarter 2014	4.10%
First Quarter 2015	4.20%
2015 – 2019	5.20%
2020 – 2024	5.60%
Average	4.31%

(3) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$R_S = R_F + \beta (R_M - R_F)$

Where R_S = Return rate of common stock
R_F = Risk Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

(4) The empirical CAPM is applied using the following formula:

$R_S = R_F + .25 (R_M - R_F) + .75 \beta (R_M - R_F)$

Where R_S = Return rate of common stock
R_F = Risk-Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

Source of Information: Value Line Summary & Index
Blue Chip Financial Forecasts, June 1 & November 1, 2013
Value Line Investment Survey, (Standard Edition)
2013 Ibbotson® SBBI® Valuation Yearbook, Morningstar, Inc., 2013, Chicago, IL

Basis of Selection of the Group of Non-Price Regulated Companies
Comparable in Total Risk to the Proxy Group of Nine Water Companies

The criteria for selection of the proxy group of twenty-eight non-price regulated companies was that the non-price regulated companies be domestic and reported in Value Line Investment Survey (Standard Edition).

The proxy group of twenty-eight non-price regulated companies were then selected based upon the unadjusted beta range of 0.36 – 0.60 and standard error of the regression range of 2.6728 – 3.1880 of the water proxy group.

These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and standard errors of the regression.

The standard deviation of the water industry's standard error of the regression is 0.1288. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1288 = \frac{2.9304}{\sqrt{518}} = \frac{2.9304}{22.7596}$$

Source of Information: Value Line, Inc., June 15, 2013
Value Line Investment Survey (Standard Edition)

Carolina Water Services, Inc.
Basis of Selection of Comparable Risk
Domestic Non-Price Regulated Companies

Proxy Group of Nine Water Companies	Value Line Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
American States Water Co.	0.70	0.50	3.2189	0.0635
American Water Works Co., Inc.	0.65	0.44	2.9445	0.0581
Aqua America, Inc.	0.60	0.34	2.5371	0.0501
Artesian Resources Corp.	0.60	0.32	2.7526	0.0543
California Water Service Group	0.65	0.42	2.5635	0.0506
Connecticut Water Service, Inc.	0.75	0.57	3.1136	0.0614
Middlesex Water Company	0.70	0.54	2.6524	0.0523
SJW Corporation	0.85	0.71	3.4897	0.0689
York Water Company	0.70	0.48	3.1012	0.0612
Average	0.69	0.48	2.9304	0.0578
Beta Range (+/- 2 std. Devs. of Beta)	0.36	0.60		
2 std. Devs. of Beta	0.12			
Residual Std. Err. Range (+/- 2 std. Devs. of the Residual Std. Err.)	2.6728	3.1880		
Std. dev. of the Res. Std. Err.	0.1288			
2 std. devs. of the Res. Std. Err.	0.2576			

Carolina Water Services, Inc.
Proxy Group of Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Proxy Group of Twenty-Eight Non-Price-Regulated Companies	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
Actavis, Inc.	0.70	0.54	3.1788	0.0627
Gallagher (Arthur J.)	0.75	0.57	2.9036	0.0573
AutoZone Inc.	0.65	0.40	2.9262	0.0577
Baxter Intl Inc.	0.70	0.50	2.8955	0.0571
Bristol-Myers Squibb	0.70	0.47	2.7937	0.0551
Brown & Brown	0.70	0.54	2.8096	0.0554
ConAgra Foods	0.65	0.41	2.7349	0.0540
Capitol Fed. Finl	0.60	0.39	2.9201	0.0576
Dun & Bradstreet	0.75	0.59	2.9549	0.0583
DaVita Inc.	0.65	0.46	2.7897	0.0550
J&J Snack Foods	0.70	0.50	3.0927	0.0610
Kroger Co.	0.60	0.36	2.8340	0.0559
Lancaster Colony	0.70	0.53	2.9432	0.0581
McKesson Corp.	0.75	0.59	3.1375	0.0619
Mercury General	0.65	0.47	3.0619	0.0604
Annaly Capital Mgmt.	0.65	0.41	2.9250	0.0577
Northwest Bancshares	0.75	0.58	2.9835	0.0589
Owens & Minor	0.75	0.56	3.0574	0.0603
Peoples United Finl	0.65	0.45	2.7599	0.0545
Raytheon Co.	0.75	0.55	2.7110	0.0535
SAIC, Inc.	0.70	0.48	2.7054	0.0534
Sherwin-Williams	0.65	0.46	2.9720	0.0586
Smucker (J.M.)	0.70	0.48	2.9317	0.0579
Silgan Holdings	0.70	0.54	2.8924	0.0571
Suburban Propane	0.75	0.54	3.0951	0.0611
Stericycle Inc.	0.65	0.47	2.8457	0.0562
Waste Connections	0.70	0.54	2.7563	0.0544
Weis Markets	0.65	0.44	2.7704	0.0547
Berkley (W.R.)	0.70	0.47	2.8399	0.0560
Average	0.69	0.49	2.9042	0.0573
Proxy Group of Nine Water Companies	0.69	0.48	2.9304	0.0578

Carolina Water Services, Inc.
Summary of Cost of Equity Models Applied to the
Proxy Group of Non-Price-Regulated Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Principal Methods	Proxy Group of Twenty-Eight Non-Price-Regulated Companies
Discounted Cash Flow Model (1)	11.57 %
Risk Premium Model (2)	10.32 %
Capital Asset Pricing Model (3)	9.90 %
Average	10.60 %
Median	10.32 %
Average of Average and Median	10.46 %

Notes:
(1) From page 2 of this Schedule.
(2) From page 3 of this Schedule.
(3) From page 6 of this Schedule.

Carolina Water Services, Inc.
DCF Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to
the Proxy Group of Nine Water Companies

Proxy Group of Twenty-Eight Non-Price-Regulated Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS	Adjusted Dividend Yield	Indicated Common Equity Cost Rate
Actavis, Inc.	- %	14.00 %	21.00 %	19.10 %	21.93 %	19.01 %	- %	NA %
Gallagher (Arthur J.	3.16	11.50	12.00	13.60	13.17	12.57	3.36	15.93
AutoZone Inc.	-	15.00	14.00	14.40	14.75	14.54	-	NA
Baxter Intl Inc.	2.85	8.50	8.10	8.90	8.13	8.41	2.97	11.38
Bristol-Myers Squibb	3.08	10.00	9.70	6.00	9.75	8.86	3.22	12.08
Brown & Brown	1.11	13.50	13.00	12.60	13.88	13.25	1.19	14.44
ConAgra Foods	3.10	11.00	8.70	10.40	8.70	9.70	3.25	12.95
Capitol Fed. Finl	2.40	6.00	3.50	3.50	3.50	4.13	2.45	6.58
Dun & Bradstreet	1.53	5.00	8.80	9.80	8.85	8.11	1.60	9.71
DaVita Inc.	-	15.00	12.00	12.80	11.60	12.85	-	NA
J&J Snack Foods	0.80	9.00	10.00	10.00	10.00	9.75	0.84	10.59
Kroger Co.	1.51	10.50	9.00	7.40	9.07	8.99	1.58	10.57
Lancaster Colony	2.02	7.00	NA	NA	10.00	8.50	2.11	10.61
McKesson Corp.	0.61	10.50	15.00	13.00	13.00	12.88	0.65	13.53
Mercury General	5.27	8.00	2.10	2.10	2.10	3.58	5.37	8.95
Annaly Capital Mgmt.	13.89	(2.50)	NA	3.50	3.50	3.50	14.13	17.63
Northwest Bancshares, Inc.	3.84	8.50	5.00	5.00	5.00	5.88	3.96	9.84
Owens & Minor	2.72	6.00	13.00	9.00	13.00	10.25	2.86	13.11
Peoples United Fin	4.53	17.50	7.40	6.50	7.13	9.63	4.75	14.38
Raytheon Co.	2.86	4.50	8.70	8.80	8.70	7.68	2.97	10.65
Sherwin-Williams	1.12	15.50	14.00	14.60	14.55	14.66	1.20	15.86
Smucker (J.M.)	1.93	8.50	8.70	8.30	8.77	8.57	2.01	10.58
Silgan Holdings	1.19	10.50	10.00	10.60	10.60	10.43	1.25	11.68
Suburban Propane	7.53	6.00	3.00	3.00	3.00	3.75	7.67	11.42
Stericycle Inc.	-	12.00	16.00	16.00	16.00	15.00	-	NA
Waste Connections	0.91	12.00	11.00	14.90	11.00	12.23	0.96	13.19
Weis Markets	2.45	3.50	NA	NA	NA	3.50	2.50	6.00
Berkley (W.R.)	0.94	12.50	7.90	9.50	6.91	9.20	0.99	10.19
							Average	11.74 %
							Median	11.40 %
							Average of Average and Median Results:	11.57 %

NA= Not Available
NMF= Not Meaningful Figure

(1) Mr. D'Ascendis's application of the DCF model to the domestic, non-price regluated comparable risk companies is identical to the application of the DCF to his proxy group of water companies. He uses the 60 day average price and the spot indicated dividend as of October 31, 2013 for his dividend yield and then adjusts that yield for 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.reuters.com, www.zacks.com, and www.yahoo.com (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.

Source of Information: Value Line Investment Survey:
www.reuters.com Downloaded on 11/01/2013
www.zacks.com Downloaded on 11/01/2013
www.yahoo.com Downloaded on 11/01/2013

Carolina Water Services, Inc.
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Twenty-Eight Non-Price-Regulated Companies
1.	Prospective Yield on Baa Rated Corporate Bonds (1)	5.65 %
2.	Equity Risk Premium (2)	4.67
3.	Risk Premium Derived Common Equity Cost Rate	10.32 %

Notes: (1) Average forecast based upon estimates of Baa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated June 1, 2013 and November 1, 2013 (see pages 9 and 10 of Schedule 5). The estimates are detailed below.

Fourth Quarter 2013	5.40 %
First Quarter 2014	5.50
Second Quarter 2014	5.60
Third Quarter 2014	5.70
Fourth Quarter 2014	5.80
First Quarter 2015	5.90
2015-2019	6.90
2020-2024	7.40
Average	5.65 %

(2) From page 5 of this Schedule.

Carolina Water Services, Inc.
Comparison of Bond Ratings for the
Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies

	Moody's Bond Rating November 2013		Standard & Poor's Bond Rating November 2013	
Proxy Group of Twenty-Eight Non-Price-Regulated Companies	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)
Actavis, Inc.	Baa3	10.0	NR	- -
Gallagher (Arthur J.)	NR	- -	NR	- -
AutoZone Inc.	Baa2	9.0	BBB	9.0
Baxter Intl Inc.	A3	7.0	A	6.0
Bristol-Myers Squibb	A2	6.0	A+	5.0
Brown & Brown	NR	- -	NR	- -
ConAgra Foods	Baa2	9.0	BBB-	10.0
Capitol Fed. Finl	NR	- -	NR	- -
Dun & Bradstreet	NR	- -	NR	- -
DaVita Inc.	Ba3	13.0	B	15.0
J&J Snack Foods	NR	- -	NR	- -
Kroger Co.	Baa2	9.0	BBB	9.0
Lancaster Colony	NR	- -	NR	- -
McKesson Corp.	Baa2	9.0	A-	7.0
Mercury General	NR	- -	NR	- -
Annaly Capital Mgmt.	NR	- -	NR	- -
Northwest Bancshares	NR	- -	NR	- -
Owens & Minor	Ba1	11.0	BBB	9.0
Peoples United Finl	A2	6.0	NR	- -
Raytheon Co.	A3	7.0	A-	7.0
Sherwin-Williams	A3	7.0	A	6.0
Smucker (J.M.)	A3	7.0	NR	- -
Silgan Holdings	Ba1	11.0	BB-	13.0
Suburban Propane	Ba3	13.0	BB-	13.0
Stericycle Inc.	NR	- -	NR	- -
Waste Connections	NR	- -	NR	- -
Weis Markets	NR	- -	NR	- -
Berkley (W.R.)	Baa2	9.0	BBB+	8.0
Average	Baa2	8.9	BBB	9.0

Notes:
(1) From page 5 of Schedule 5.

Source of Information:
Standard & Poor's Bond Guide October 2013
www.moodys.com; downloaded 11/1/2013

Carolina Water Services, Inc.
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Non-Price-Regulated Companies
Proxy Group of Nine Water Companies

Line No.		Proxy Group of Twenty-Eight Non-Price-Regulated Companies
	Based on SBBI Valuation Yearbook Data:	
1.	Ibbotson Equity Risk Premium (1)	5.60 %
2.	Ibbotson Equity Risk Premium based on PRPM™ (2)	9.22
	Based on Value Line Summary and Index:	
3.	Equity Risk Premium Based on Value Line Summary and Index (3)	5.19
4.	Conclusion of Equity Risk Premium (4)	6.67 %
5.	Adjusted Value Line Beta (5)	0.70
6.	Forecasted Equity Risk Premium	4.67 %

Notes:
(1) Based on the arithmetic mean historical monthly returns on large company common stocks from Ibbotson® SBBI® 2013 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation minus the arithmetic mean monthly yield of Moody's Aaa and Aa corporate bonds from 1926 - 2012. (11.83% - 6.23% = 5.60%).

(2) The Predictive Risk Premium Model (PRPM™) is discussed in Mr. D'Ascendis's accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM™ is derived by applying the PRPM™ to the monthly risk premiums between Ibbotson large company common stock monthly returns minus the average Aaa and Aa corporate monthly bond yields, from January 1928 through September 2013.

(3) From page 8 of Schedule 5.
(4) Average of Lines 1, 2, & 3.
(5) Median beta derived from page 6 of this Schedule.

Sources of Information:

Ibbotson® SBBI® 2013 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation, Morningstar, Inc., 2013 Chicago, IL.
Value Line Summary and Index
Blue Chip Financial Forecasts, June 1 and November 1, 2013

Carolina Water Services, Inc.
Traditional CAPM and ECAPM Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Proxy Group of Twenty-Eight Non-Price-Regulated Companies	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate (3)	ECAPM Cost Rate (4)	Indicated Common Equity Cost Rate (5)
Actavis, Inc.	0.70	7.61 %	4.31 %	9.64 %	10.21 %	
Gallagher (Arthur J.)	0.75	7.61	4.31	10.02	10.49	
AutoZone Inc.	0.65	7.61	4.31	9.26	9.92	
Baxter Intl Inc.	0.70	7.61	4.31	9.64	10.21	
Bristol-Myers Squibb	0.70	7.61	4.31	9.64	10.21	
Brown & Brown	0.70	7.61	4.31	9.64	10.21	
ConAgra Foods	0.65	7.61	4.31	9.26	9.92	
Capitol Fed. Finl	0.60	7.61	4.31	8.88	9.64	
Dun & Bradstreet	0.75	7.61	4.31	10.02	10.49	
DaVita Inc.	0.65	7.61	4.31	9.26	9.92	
J&J Snack Foods	0.70	7.61	4.31	9.64	10.21	
Kroger Co.	0.60	7.61	4.31	8.88	9.64	
Lancaster Colony	0.70	7.61	4.31	9.64	10.21	
McKesson Corp.	0.75	7.61	4.31	10.02	10.49	
Mercury General	0.65	7.61	4.31	9.26	9.92	
Annaly Capital Mgmt.	0.65	7.61	4.31	9.26	9.92	
Northwest Bancshares	0.75	7.61	4.31	10.02	10.49	
Owens & Minor	0.75	7.61	4.31	10.02	10.49	
Peoples United Finl	0.65	7.61	4.31	9.26	9.92	
Raytheon Co.	0.75	7.61	4.31	10.02	10.49	
Sherwin-Williams	0.65	7.61	4.31	9.26	9.92	
Smucker (J.M.)	0.70	7.61	4.31	9.64	10.21	
Silgan Holdings	0.70	7.61	4.31	9.64	10.21	
Suburban Propane	0.75	7.61	4.31	10.02	10.49	
Stericycle Inc.	0.65	7.61	4.31	9.26	9.92	
Waste Connections	0.70	7.61	4.31	9.64	10.21	
Weis Markets	0.65	7.61	4.31	9.26	9.92	
Berkley (W.R.)	0.70	7.61	4.31	9.64	10.21	
Average	0.69			9.56 %	10.15 %	9.86 %
Median	0.70			9.64 %	10.21 %	9.93 %
Average of Average and Median Results:						9.90 %

Notes:
(1) From Schedule 6, page 2, note 1.
(2) From Schedule 6, page 2, note 2.
(3) Derived from the model shown on Schedule 6, page 2, note 3.
(4) Derived from the model shown on Schedule 6, page 2, note 4.
(5) Average of CAPM and ECAPM cost rates.

Carolina Water Services, Inc.
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

Line No.		1 Market Capitalization on October 31, 2013 (1) (millions)	1 (times larger)	2 Applicable Decile of the NYSE/AMEX/ NASDAQ (2)	3 Applicable Size Premium (3)	4 Spread from Applicable Size Premium for (4)
1.	Carolina Water Services, Inc.					
a.	Based Upon the Proxy Group of Nine Water Companies	$ 25.992		10	6.03%	
2.	Proxy Group of Nine Water Companies	$ 1,740.082	66.9 x	6	1.72%	4.31%

	(A) Decile	(B) Number of Companies (millions)	(C) Recent Total Market Capitalization (millions)	(D) Recent Average Market Capitalization (millions)	(E) Size Premium (Return in Excess of CAPM) (2)
Largest	1	173	$ 10,255,341.469	$ 59,279.430	-0.37%
	2	193	2,219,118.548	$ 11,498.024	0.76%
	3	187	1,072,861.025	$ 5,737.225	0.92%
	4	202	695,897.336	$ 3,445.036	1.14%
	5	205	473,139.360	$ 2,307.997	1.70%
	6	234	377,485.205	$ 1,613.185	1.72%
	7	317	329,504.738	$ 1,039.447	1.73%
	8	329	214,084.258	$ 650.712	2.46%
	9	466	166,708.095	$ 357.743	2.70%
Smallest	10	1068	107,517.520	$ 100.672	6.03%

*From Ibbotson 2013 Yearbook

Notes:
(1) From Page 2 of this Schedule.
(2) Gleaned from Column (D) on the bottom of this page. The appropriate decile (Column (A)) corresponds to the market capitalization of the proxy group, which is found in Column 1.
(3) Corresponding risk premium to the decile is provided on Column (E) on the bottom of this page.
(4) Line No. 1a Column 3 – Line No. 2 Column 3 and Line No. 1b, Column 3 – Line No. 3 of Column 3 etc.. For example, the 4.31% in Column 4, Line No. 2 is derived as follows 4.31% = 6.03% - 1.72%.

Carolina Water Services, Inc.
Market Capitalization of Carolina Water Services, Inc. and
the Proxy Group of Nine Water Companies

Company	Exchange	1 Common Stock Shares Outstanding at Fiscal Year End 2012 (millions)	2 Book Value per Share at Fiscal Year End 2012 (1)	3 Total Common Equity at Fiscal Year End 2012 (millions)	4 Closing Stock Market Price on October 31, 2013	5 Market-to-Book Ratio on October 31, 2013 (2)	6 Market Capitalization on October 31, 2013 (3) (millions)
Carolina Water Services, Inc.		NA	NA	$ 12.289 (4)	NA		
Based Upon the Proxy Group of Nine Water Companies						211.5 % (5)	$ 25.992 (6)
Proxy Group of Nine Water Companies							
American States Water Co.		38.474	$ 11.815	$ 454.579	$ 28.480	241.0 %	$ 1,095.752
American Water Works Co., Inc.		176.988	$ 25.115	$ 4,444.988	$ 42.870	170.7	$ 7,587.476
Aqua America, Inc.		175.209	$ 7.909	$ 1,385.704	$ 25.180	318.4	$ 4,411.765
Artesian Resources Corp.		7.838	$ 15.078	$ 118.180	$ 22.900	151.9	$ 179.492
California Water Service Group		41.908	$ 11.304	$ 473.712	$ 21.800	192.9	$ 913.599
Connecticut Water Service, Inc.		10.939	$ 17.014	$ 186.121	$ 32.050	188.4	$ 350.611
Middlesex Water Company		15.795	$ 11.499	$ 181.632	$ 20.730	180.3	$ 327.430
SJW Corporation		18.671	$ 14.708	$ 274.604	$ 28.230	191.9	$ 527.070
York Water Company		12.919	$ 7.727	$ 99.825	$ 20.710	268.0	$ 267.545
Average		55.416	$ 13.574	$ 846.594	$ 26.994	211.5 %	$ 1,740.082

NA= Not Available

Notes: (1) Column 3 / Column 1.
(2) Column 4 / Column 2.
(3) Column 5 * Column 3.
(4) Total combined rate base of Carolina Water Services, Inc. allocated by the recommended common equity ratio. ($25.8M x 47.56% = $12.289M)

(5) The market-to-book ratio of Carolina Water Services, Inc. on October 31, 2013 is assumed to be equal to the market-to-book ratio of the Proxy Group of Nine Water Companies at October 31, 2013.
(6) Carolina Water Services, Inc.'s common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at October 31, 2013 of the Proxy Group of Nine Water Companies, 211.5%, and Carolina Water Services, Inc.'s market capitalization on October 31, 2013 would therefore have been $25.992 million.

Source of Information: 2012 Annual Forms 10K
yahoo.finance.com